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WEEKEND JOURNAL W8

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Obama proposes new regulations on U.S. banks

Associated Press

President Barack Obama, with former Federal Reserve Chairman Paul Volcker looking on, proposed Thursday new rules designed to restrict the size and activities of the U.S.'s largest banks, the latest in a series of administration moves to curb Wall Street. **Page 7.**

Goldman profit surges as firm restrains pay

By Joe Bel Bruno And Jessica Papini

NEW YORK—**Goldman Sachs Group** Inc. on Thursday reported blowout fourth-quarter earnings, in part because it restrained compensation amid a public outcry about excessive pay.

The investment bank's record-high profit of $4.95 billion for the fourth quarter far exceeded Wall Street estimates. The amount eclipsed the combined returns of rivals **J.P. Morgan Chase** & Co., **Morgan Stanley**, **Citigroup** Inc. and **Bank of America** Corp., and it highlights Goldman's revival from a financial crisis that toppled competitors.

But the earnings report also revealed that Goldman is being swayed by intense criticism about compensation packages so soon after the U.S. bailout of the banking industry. After the earnings were released, President Barack Obama proposed limits on the size and risk-taking of the nation's biggest banks.

The most-watched topic in the report, compensation, took many on Wall Street by surprise. The bank set aside $16.2 billion for compensation for its employees in 2009, well below the record many expected the firm would announce.

Goldman sought to deflect criticism by cutting back how much it put into its bonus pool and giving $500 million to charity. That reduced amount helped lift profits and kept the investment bank from toppling the record $20.2 billion in compensation it devoted to employees in 2007. The figure for 2009 represented 35.8% of revenues for the year, down from 48% a year earlier and the lowest level since the firm went public in 1999.

That said, Goldman's 32,500 employees, consultants and temporary staff will still receive compensation averaging about a half-million dollars for the year. It wasn't known how much Goldman Chief Executive Lloyd Blankfein would be paid for 2009, though the company's top 30 executives will receive their bonus in stock that can't be sold for at least five years.

Mr. Blankfein said the reduction in compensation, a "recognition of the broader environment, resulted in our lowest ever compensation to

Please turn to page 16

China growth data put pressure on Beijing

By Terence Poon

BEIJING—The acceleration in China's economic growth toward the end of 2009 brought with it a sharp pickup in inflation, adding pressure on the government to roll back its stimulus policies.

Taking measure

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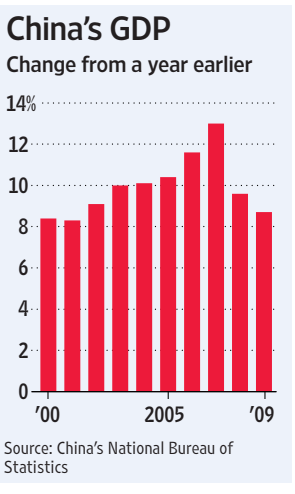
The economy expanded 10.7% in the fourth quarter from a year earlier, picking up from 9.1% in the third quarter and bringing full-year growth to 8.7%. China's stimulus program—focused on massive bank lending and public investments in infrastructure—helped avert a sharper economic downturn. But economists say the government needs to adjust its policies now that the economy is growing so rapidly.

National Bureau of Statistics Director Ma Jiantang said Thursday the government will work to "avoid excessively rapid price increases." In particular, he said, "asset-price increases pose a challenge for macroeconomic policy," highlighting the recent increase in concern among officials about inflation.

Underscoring the inflation risks posed by last year's credit surge, two key price gauges ticked up in December. Consumer prices in December rose 1.9% from a year earlier, accelerating sharply from the 0.6% rise in November, which followed nine months of declines. The producer price index in December rose 1.7% from a year earlier, well above expectations for a 0.5% rise and reversing November's 2.1% drop.



And with real-estate prices surging beyond what most people can afford, the government has already begun to remove some of the measures it took to revive the property sector during the financial crisis, such as preferential tax policies. New spending on construction projects and infrastructure has started to slow: Growth in fixed-asset investment slowed to 25.5% in real terms in the fourth quarter, from 36.8% in the third quarter.

"Policy adjustments can only have a positive impact and no negative impact, because they'll prevent the economy from overheating too soon," said Li Huiyong, an analyst with SYWG Research & Consulting in Shanghai.

The central bank has also been adjusting policies to curb loan growth, after banks nearly doubled their new lending in 2009 to 9.59 trillion yuan ($1.4 trillion). The People's Bank of China has been

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* * *

Business & Finance

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■ **Citigroup is trying to sell** a Japanese ski resort that it purchased nearly four years ago, the firm's latest effort to repay the U.S. government for its bailout. **20**

■ **Amazon plans to invite** software developers to create programs that would allow its Kindle e-reader device to take on a wider range of uses. **17**

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* * *

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Associated Press

Haitians wait in line to fill containers with water at a refugee camp in Port-au-Prince on Thursday. International aid flowing into Haiti after last week's earthquake has been struggling with logistical problems, and many people are still desperate for food and water. Page 8.

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WORLD NEWS

Okinawa vote has Tokyo's attention

Nago City mayoral election offers a read on military base issue and the climate of the Japanese-U.S. alliance

By Yuka Hayashi

TOKYO—One of the most influential Japanese voices shaping relations with the U.S. these days is Mizuho Fukushima, head of a small left-leaning pacifist party in coalition with the ruling Democratic Party of Japan.

And while critics in both Washington and Tokyo have blamed her staunch opposition to the siting of a U.S. Marine base for souring ties between the two allies, she made clear in an interview this week with The Wall Street Journal that she has no intention of budging.

"U.S.-Japan relations aren't deteriorating because we can't make up our mind about building a new facility in Henoko," Ms. Fukushima said, referring to the scenic rural community selected by the U.S. along with the previous Japanese government to build the base. "Rather, what will drive a fissure in the bilateral relations is trying to push through with the plan," she added.

Japanese Prime Minister Yukio Hatoyama's government will get an important read on the political climate surrounding the issue Sunday. Nago City, which includes the hamlet of Henoko, will hold a closely watched mayoral election, in which a candidate opposing the new facility is challenging a re-election bid by the current mayor, whose consent was a catalyst in clinching the exit plan. A victory by the challenger will make the Henoko facility all but impossible, analysts say, adding that the race is too close to call.

Washington has repeatedly called on Tokyo to stick with the 2006 accord that features building the new facility in a remote part of the southern island of Okinawa, in exchange for closing Marine Air Corps Air Station Futenma, which is located in a crowded urban area of the island.

When the DPJ-led government took power in September, it quickly put the plans on hold—in no small part because it is dependent on Ms. Fukushima's Social Democratic Party of Japan to push legislation smoothly through parliament.

The deadlock on the Futenma issue has stalled a broader plan to reorganize troops stationed in Okinawa—a move embraced by both countries to reduce political opposition to the American military role in Japan—sending a chill between Washington and Tokyo's four-month old government. Ms. Fukushima and her allies say the plan doesn't go far enough to cut the U.S. military presence among Japan's population.

Ms. Fukushima, a petite and bubbly 54-year-old lawmaker, said her party wants to move the Futenma facilities "completely off Okinawa and outside of Japan," adding that the search for an alternative plan will give the two nations a good opportunity to take stock of their bilateral security alliance this year, the 50th anniversary of the accord.

"We are not opposed to all military bases in Okinawa and we aren't saying all troops should leave right away," said Ms. Fukushima. "But I believe we should use this opportunity to discuss broader issues, like why there is such a huge concentration of U.S. bases in Okinawa and why, after 64 years since the end of the World War II, there is still such a significant presence of U.S. forces in Japan."

With just seven members, Ms. Fukushima's SDPJ is a tiny force in Japan's 722-seat parliament. But it has yielded surprisingly strong influence on Mr. Hatoyama's policy thanks to its strategic position in his government.

An overwhelming victory in national elections in August gave Mr. Hatoyama's DPJ a comfortable majority in the lower house. But it still depends on the SDPJ and another small coalition partner to maintain control of the upper house in order to pursue its policy agenda.

A near-complete reversal in a policy to privatize Japan Post, the sprawling postal and financial services empire, and the stubborn opposition to building the new Marines facility in Okinawa are among those efforts, analysts say.

One incident that illustrated the SDPJ's influence: Soon after Ms. Fukushima threatened that her party would leave the coalition if the government went ahead with the Henoko facility, Mr. Hatoyama abandoned an agreement with the U.S. to settle the issue by the end of 2009. Instead, the government postponed its deadline to May, practically suspending bilateral talks with the U.S.

"It is very difficult to reach agreement on this issue with the SDPJ insisting on moving the Futenma facilities outside of Okinawa," says Hitoshi Tanaka, senior fellow at the Japan Center for International Exchange and a former foreign ministry official who has advised Mr. Hatoyama recently. "We really need them to understand it's important to have military presence as an efficient way to deter war."

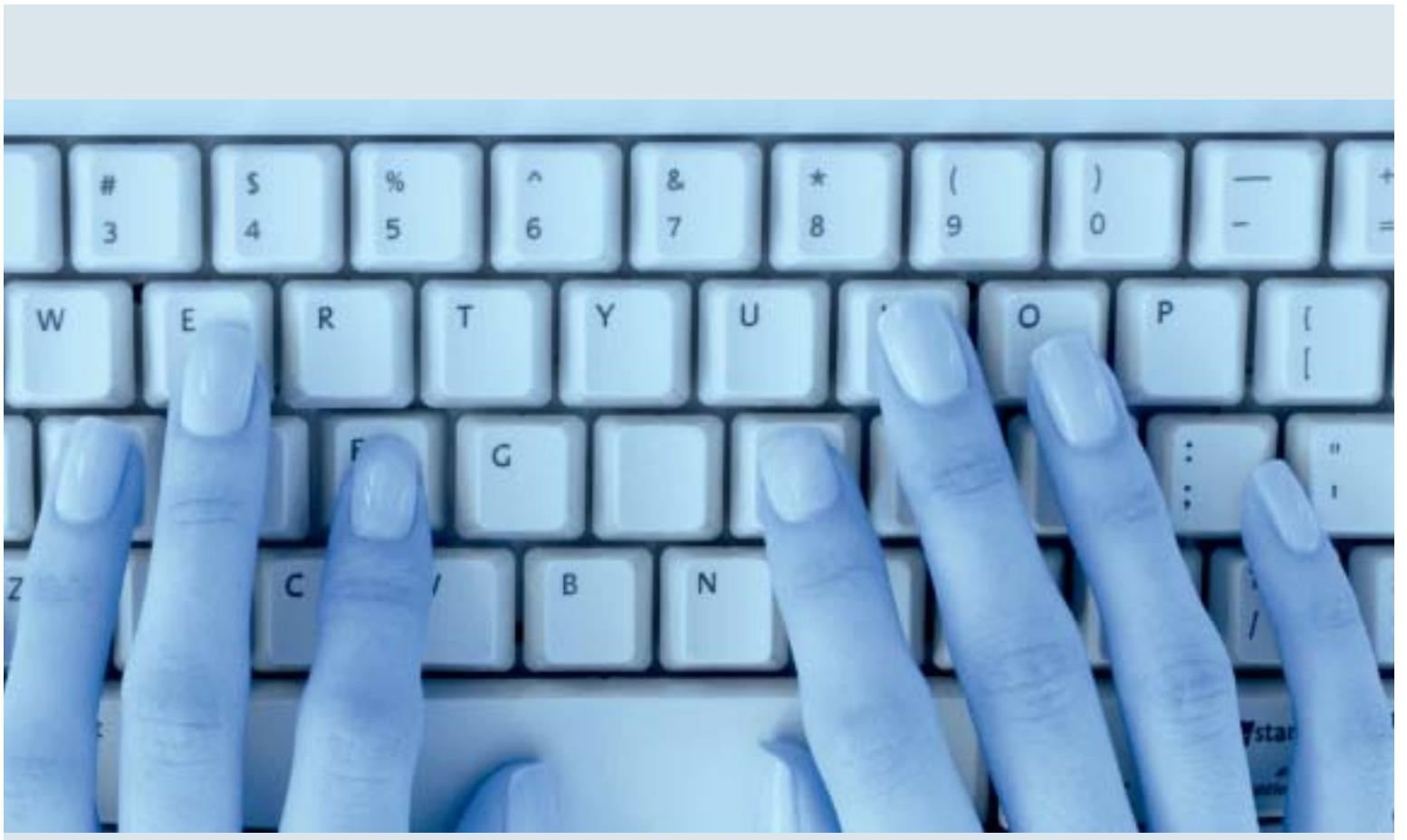
Ms. Fukushima, a human-rights lawyer, counters that Okinawa, which represents 0.5% of Japan's land mass but has 75% of the land used by U.S. troops, shouldn't be asked to shoulder more of the burden of the military alliance.

Reuters

Japan's Social Democratic Party leader Mizuho Fukushima.

WSJ.com

Online today: See a video of Mizuho Fukushima explaining her views on the U.S. base at **asia.WSJ.com**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AFP/Getty Images

U.S. Secretary of State Hillary Clinton, speaking Thursday at the Newseum in Washington, said the U.S. and China have different views about Internet freedom.

China urged to probe Google case

Clinton makes unrestricted Web access a top U.S. priority; a 'spike in threats to the free flow of information'

By Siobhan Gorman And Sky Canaves

Secretary of State Hillary Rodham Clinton made unrestricted Internet access a top foreign-policy priority and urged China to investigate cyber intrusions that led **Google** Inc. to threaten to pull out of that country.

The remarks come in the wake of accusations last week that Chinese hackers penetrated Google's computer networks. Mrs. Clinton called on the Chinese government to make the results of any probe "transparent."

The growing role of the Internet in foreign policy became clear last year in protests in Iran after allegations of election fraud. The government tried to crack down on protesters' Internet communications, but they circumvented digital blockades to send out video and Twitter messages about violence against demonstrators.

"Countries that restrict free access to information or violate the basic rights of Internet users risk walling themselves off from the progress of the next century," Mrs. Clinton said in the speech Thursday on Internet freedom at the Newseum journalism museum in Washington. She said the U.S. and China "have different views on this issue, and we intend to address those differences candidly and consistently" as part of a cooperative relationship.

She cited China as among a number of countries where there has been "a spike in threats to the free flow of information" over the past year. She also named Tunisia, Uzbekistan, Egypt, Iran, Saudi Arabia and Vietnam. "Some countries have erected electronic barriers that prevent their people from accessing portions of the world's networks," she said.

"They have expunged words, names and phrases from search engine results," Mrs. Clinton said. "They have violated the privacy of citizens who engage in nonviolent political speech."

Google said on Jan. 12 that it will remain in China only if the government relents on rules requiring the censorship of content the ruling Communist Party considers subversive. The ultimatum came after Google said it uncovered a computer attack that tried to plunder its software coding and the email accounts of human-rights activists protesting Chinese policies.

A State Department official said Thursday the department hasn't yet registered a formal complaint calling for an investigation. Officials had said they would send the complaint earlier this week but have so far only held additional conversations with Chinese officials on the matter.

Google's complaints about cyberattacks and censorship in China shouldn't be "overinterpreted" or linked to Beijing's bilateral relations with the U.S., Chinese Vice Foreign Minister He Yafei said Thursday.

Mr. He's comments represent the highest-level response so far to Google's statement last week that it might have to leave the market. The official's statement came ahead of Mrs. Clinton's speech.

"The Google case should not be linked with relations between the two governments and countries; otherwise, it's an overinterpretation," Mr. He said at a news conference, according to the state-run Xinhua news agency.

Chinese authorities have reacted cautiously to statements from Google and from U.S.-government officials, wary of openly fueling tensions with Washington and with Chinese Internet users, many of whom bristle at government censorship. Some state-run media have taken a more combative approach, portraying Google's moves as the result of its failure to beat domestic rival Baidu.com. An editorial in the Global Times newspaper on Wednesday charged that Google had allowed itself to be used by the U.S. government for political purposes and warned that Google would pay a high price for doing so.

Public opinion in China has been divided, complicating the government's response. Google's estimated 80 million Chinese users include a number of vocal supporters, some of whom have traveled to the company's offices to leave flowers and cards over the last week, and any sudden action against Google could give rise to protests that could embarrass the government. But there is also a vocal constituency of anti-Google Web users who are calling for China to stand up to unreasonable foreign demands.

The Xinhua report didn't specify what prompted Google's Jan. 12 statement, saying only that the company cited "disagreements with government policies and unidentified attacks targeting its services in China" as a reason for its possible withdrawal.

Mr. He's remarks indicate that Beijing is sticking to its low-key approach in responding to the Google case. Previously, lower-level officials have portrayed the matter as a legal and business issue that doesn't merit government-to-government discussion.

In Mrs. Clinton's speech before she explicitly mentioned the Google matter, she spoke broadly about the connection between information freedom and international business, reported the Associated Press.

"Countries that censor news and information must recognize that, from an economic standpoint, there is no distinction between censoring political speech and commercial speech," she said. "If businesses in your nation are denied access to either type of information, it will inevitably reduce growth."

"Increasingly, U.S. companies are making the issue of information freedom a greater consideration in their business decisions," she added.

Final appeal in 'milkshake murder'

By Jonathan Cheng

HONG KONG—A lawyer for Nancy Kissel, an American expatriate sentenced to life in prison for murdering her investment banker husband, made a final appeal for her freedom Thursday in a Hong Kong courtroom.

A decision is expected in a few weeks. In the event that her conviction is overturned, the prosecution said it would seek a retrial.

Ms. Kissel, a Michigan native, gained international notoriety after admitting to killing her husband, a senior banker with Merrill Lynch, in 2003. She has been in jail since her conviction in September 2005 after a widely publicized three-month trial that dominated conversation in Hong Kong's expatriate circles.

Prosecutors say Ms. Kissel served her husband, Robert Kissel, a drug-laced strawberry milkshake on the night of Nov. 2, 2003, before bludgeoning him to death with a statuette and rolling him up in a carpet. Ms. Kissel, now 45 years old, says she can't remember what happened—only that she may have killed her husband to protect herself after he came at her with a baseball bat during a domestic dispute.

Days after the murder, Hong Kong police found Mr. Kissel wrapped in the carpet and kept in a storeroom at the Kissels' luxury apartment complex.

During the original trial, Ms. Kissel's lawyers pushed for an acquittal, arguing that she acted in self-defense. Ms. Kissel described her husband as a violent cocaine user who forced her to perform abusive sexual acts that took a heavy toll on her psychological health. Ms. Kissel admitted to an affair in the months before the murder with a Vermont TV repairman.

An earlier appeal by Ms. Kissel was rejected in October 2008. The current appeal is her last legal recourse.

Ms. Kissel's lawyer, Gerard McCoy, spent much of his time during the seven-day hearing in Hong Kong's Court of Final Appeal arguing that prosecutors improperly used "impugned evidence" and that the judge in the original trial misdirected the jury on several key points.

Mr. McCoy argued that prosecutors relied on hearsay evidence to suggest that Mr. Kissel suspected his wife had been trying to kill him for some time—evidence that Mr. McCoy argues shouldn't have been allowed during the proceedings.

Public prosecutor Kevin Zervos, arguing the appeal in court Thursday, called Ms. Kissel's depiction of her husband "character assassination," and said Ms. Kissel "sought refuge in a claim of memory loss" about the events on the fateful night.

Ms. Kissel, her hair tied back, was brought to the court in a wheelchair because of an apparent problem with her leg. She appeared to follow the proceedings closely, and at one point greeted her family members—some who had flown in from the U.S.—with winks and smiles. Some of her friends also attended, as well as the Catholic priest who played a role in her jailhouse conversion.

Speaking outside the courthouse Thursday, Ms. Kissel's mother, Jean McGlothlin, said she had hoped for a final resolution that day but remained optimistic.

"I don't think the verdict will be upheld, I'm very confident about that," Mrs. McGlothlin said. "What they do next, though, I can't say."

Hong Kong chief justice Andrew Li is leading a bench of five judges who will make a final ruling. Among the judges' options are an overturning of the original verdict and the ordering of a retrial.

The trial has already spawned at least two books and a 2008 Lifetime TV movie starring John Stamos as Mr. Kissel's brother, Andrew Kissel—who, in a separate incident, was murdered a year later in Greenwich, Conn., while under house arrest in relation to a number of fraud cases.

The Hong Kong murder became a sensation there because of the peek it offered into the lives of the city's expatriate elite.

Though the family lived in Parkview, one of Hong Kong's most exclusive communities, the Kissels were "a dysfunctional family, and had been for a long time," Mr. McCoy said in his closing arguments Thursday.

Nancy and Robert married in 1989, and moved to Hong Kong in 1998 so Robert could take up a job with Goldman Sachs Group Inc. He jumped over to Merrill Lynch, where he rose to become managing director and head of the investment bank's Global Principal Investments unit in Asia-Pacific.

The couple moved in high circles, appearing at a banquet for former U.S. President George H.W. Bush just before Mr. Kissel's death.

Agence France-Presse

In this photo taken during her murder trial in August 2005, Nancy Kissel, left, is shown leaving Hong Kong's High Court with her mother.

The Nancy Kissel story

2003

Nov. 2: Robert Kissel, managing director and head of Merrill Lynch's Global Principal Investments unit in the Asian-Pacific region, is last seen alive.

Nov. 8: Nancy Kissel is charged with his murder.

2005

June 7: Nancy Kissel's murder trial begins, with prosecutors alleging that she bludgeoned her husband to death with a blunt instrument after serving him a drug-laced milkshake.

Aug. 4: Nancy Kissel admits killing her husband, but says she can't remember the details.

Sept. 1: A Hong Kong jury unanimously finds Nancy Kissel guilty of murder, and she is sentenced to life imprisonment.

2006

April 3: Robert's older brother Andrew Kissel is stabbed to death in his Connecticut home.

2008

Oct.6: Hong Kong's Court of Appeal rejects Nancy Kissel's bid to quash her murder conviction.

2010

Jan. 12: Nancy Kissel's case comes before Hong Kong's highest court, the Court of Final Appeal.

Source: WSJ reporting

Sen. Aquino warns about a fiscal crisis

By Cris Larano

MANILA—Leading presidential candidate Sen. Benigno Aquino III warned that the Philippines faces an impending fiscal crisis because of a widening budget gap, and he vowed to boost revenue inflows by stemming tax evasion and corruption.

"In 2010, our next president will inherit a continually bloating deficit," Sen. Aquino, who leads the field of candidates in various polls by a wide margin, told executives in the financial district of Makati.

His main competitors are Sen. Manuel Villar, former President Joseph Estrada, who was ousted in a people power revolt in 2001, and former Defense Secretary Gilbert Teodoro.

Sen. Aquino said that if he wins the presidency in May, he will address the burgeoning deficit by going after tax evaders and smugglers, and won't resort to new taxes. "In addressing the looming fiscal crisis, good governance and the drive against corruption are critical components in our strategy," he said. "We will refrain from imposing new taxes or increasing tax rates."

Finance Secretary Margarito Teves had said that data suggest the budget deficit for last year won't exceed 290 billion pesos (US$6.28 billion) but will slightly widen this year to 293 billion pesos. The government wants to impose new taxes to narrow the fiscal deficit and balance the budget by 2013.

Sen. Aquino said there is scope to expand the revenue base without introducing new levies.

He said that by improving tax collection as a percentage of gross domestic product to 15% from the current 13%, the government can raise 150 billion pesos in additional revenue.

Asked by reporters to identify possible members of his future cabinet, Sen. Aquino declined and said anybody he names as a potential cabinet member may be subjected to political harassment. Even so, he suggested he might tap some officials that served in the early years of President Gloria Macapagal Arroyo's term.

RBA member sees inflation threat

By Enda Curran

SYDNEY—Inflation in Australia is likely to accelerate, fueled by a resources boom that will exacerbate tight supplies of skilled labor and housing, Reserve Bank of Australia Board Member Graham Kraehe said in an interview Thursday.

The remarks are a signal that policy makers remain worried about a possible bubble forming in the housing and labor markets in Australia and that three interest-rate rises at the end of 2009 have done little to moderate those concerns.

Mr. Kraehe's comments come ahead of the release of quarterly inflation data next week, which some economists say could add to the case for another interest-rate increase in February.

Having been among the first of the world's central banks to raise rates from record lows as the global economic crisis ebbed, the RBA is now moving its monetary policy away from stimulatory settings.

"We are close to the neutral zone," said Mr. Kraehe, one of the central bank's nine board members and also chairman of steelmaker Bluescope Steel Ltd.

Asked if there is a risk of too much policy tightening that would choke off a recovery, Mr. Kraehe said the focus should be on price rises rather than supporting demand. "The risk is more to cost pressure and inflation than it is to the demand side," he said.

The RBA is again tipped to raise rates at its February meeting. Market analysts are split on the pace of increases thereafter, as commercial banks in Australia seek to recoup higher funding costs by increasing variable lending rates by more than the rises in the central bank's cash rate target. It is unclear how many other members of the board share Mr. Kraehe's view.

Graham Kraehe of Australia's central bank signaled concerns about a possible housing bubble.

A fall in the jobless rate means Australia could face wage pressures in the near term, Mr. Kraehe said.

"Our unemployment has clearly now peaked. We've got increasing and continuing demand for employment in the resources sector that will put pressures on wages," he said. Australia's jobless rate fell to 5.5% in December from 5.6% in November.

"The consumer hasn't been as impacted as much as we would have expected by unemployment," he said.

The RBA is due to present a fresh set of inflation forecasts next month. In November, it revised its forecast trough in underlying inflation to 2.25% by the end of 2010, up from its previous forecast of a 2% trough.

"As an economy, one of the issues for us will be our ability on the supply side, whether it be on housing or the labor market, to supply enough resources to be able to take some of the pressure off cost inflation. Wages is one thing, housing another," Mr. Kraehe said.

"Unless we can do more on the supply side in housing, I think we have a real problem with asset prices," he said.

The labor market in particular will soon be garnering much greater attention, he said.

"I would be very surprised if it's not a much bigger issue on the agenda by the middle of the year," Mr. Kraehe said. "There's already a shortage of skills in skilled engineering and that will get worse."

WORLD NEWS: ASIA

Gates woos and reassures Islamabad

By Yochi J. Dreazen

ISLAMABAD—U.S. Defense Secretary Robert Gates arrived in Islamabad Thursday morning on an unannounced trip designed to prod Pakistan to expand an offensive against the country's militants and to reassure the country about U.S. aims in the region.

Mr. Gates, making his first trip here in more than three years, was slated to meet with President Asif Ali Zardari; Prime Minister Yousuf Raza Gilani; Gen. Ashfaq Kayani, the head of the Pakistani military; and Lt. Gen. Ahmed Shuja Pasha, who runs Pakistan's Inter-Services Intelligence agency. Senior U.S. officials say they believe the ISI funnels financial and military support to the Taliban in Afghanistan, a charge Pakistan has denied.

The U.S. defense chief was also scheduled to give a series of interviews to Pakistani television journalists and address a large audience of Pakistani military personnel. The public diplomacy efforts are an attempt to counteract Pakistan's fears that the expanding U.S. war in Afghanistan will spur new terrorist attacks inside Pakistan and that the Obama administration is considering an abrupt withdrawal from the region. American drone missile strikes inside Pakistan, which have killed dozens of militants as well as hundreds of civilians, have also sparked public anger against the U.S.

Mr. Gates said Pakistan's large-scale offensive in South Waziristan, a longtime militant stronghold in Pakistan, had caused many insurgents "to flee their safe havens" there. The defense chief said he was heartened that Pakistan has been talking publicly about mounting similar pushes into other insurgent-held regions.

"The Pakistanis have accomplished a great deal in the last year or so," he said. "We are interested in an even closer working relationship with the Pakistanis to go after these common enemies."

Still, Mr. Gates acknowledged that he was "concerned about manifestations of anti-Americanism" inside Pakistan, including "problems with our visas and harassment of our people."

Mr. Gates's comments reflected the narrow line the administration is trying to tread with Pakistan, an important regional power that is receiving growing amounts of American aid but that is also believed to harbor high-ranking al Qaeda and Taliban figures such as Osama bin Laden and Mullah Omar.

Like its predecessors, the Obama administration has struggled to determine the best strategy for persuading Pakistan to take strong and sustained action against the country's Islamist extremists.

President Barack Obama warned during the 2008 presidential campaign that he would consider unilateral military action inside Pakistan if Islamabad failed to take stronger steps against militants.

In recent months, however, senior Obama administration officials have avoided direct criticism of Pakistan, instead arguing that Islamabad was finally taking the extremist threat seriously. The White House has also worked to reassure the Pakistanis that the U.S. was committed to a long relationship and wouldn't precipitously leave the region.

"We are in this for the long haul and intend to be a partner of theirs into the future," Mr. Gates said Thursday.

Mr. Gates's visit reflects the growing U.S. focus on Pakistan. Last year, the Senate passed legislation giving Pakistan $1.5 billion per year in new foreign aid, as well as at least $400 million in direct support for the Pakistani military's counterinsurgency operations.

The Pentagon has also stepped up its arms sales to Pakistan, whose military has suffered more than 2,000 fatalities in battles with militants over the past three years.

Top administration officials such as Mr. Gates say militants operating in Pakistan threaten neighboring Afghanistan and India, as well as the future of Pakistan itself.

International Security Assistance Force

An Afghan commando, center, is congratulated by Army Chief of Staff Gen. Bismullah Khan Mohammadi on Thursday.

Kabul spins Taliban attack

By Yaroslav Trofimov

KABUL—The propaganda war being waged here has just escalated, with two starkly different narratives developed after Monday's Taliban attack on central Kabul.

In an insurgent war, propaganda is a crucial weapon—and until recently the Taliban proved far more sophisticated than the disorganized Afghan government in spreading their message.

This time, Afghan officials, with American help, have mounted a newly sophisticated effort to give their view of events. Monday's attack wasn't a Taliban triumph, they say, but instead showcased the strength of Afghanistan's fledgling security forces—who did most of the combat that day unassisted by American-led foreign troops.

The dozen or so Taliban-led militants who seized buildings in the heart of Kabul and unleashed suicide bombings were killed after four hours of fighting, with only two civilians and three members of the security forces dead. The insurgents failed to take over any government installations, or the Serena hotel, which houses foreign diplomats and journalists.

"What happened was a victory and a show of our strength. The enemy was well prepared, and they wanted to prolong the siege by a day or two, like in Mumbai," the Afghan army's chief of staff, Gen. Bismullah Khan Mohammadi, said in an interview. The Mumbai siege, in November 2008, lasted for several days and left more than 170 people dead.

Just a few hours after the Kabul attack, the leaders of the Afghan army, police and intelligence services presented a united front, appearing at a joint news conference to insist that the day's events were a victory for the government forces. President Hamid Karzai then swiftly approved the awarding of medals to Afghan commandos.

On Thursday, Gen. Khan—flanked by the Afghan army's top brass and generals representing the U.S.-led coalition—handed out these medals at a ceremony at a commando base on the outskirts of Kabul.

"When we asked for three volunteers, 10 of you stepped forward. Everybody is praising your quick reaction," he told the rows of commandos.

Coalition officials pointed out that the Afghan troops responded on Monday far more professionally than in previous Taliban attacks, a sign of the Afghan security forces' growing capabilities.

"There are very few cities in the world where it could have been suppressed in four-five hours," says Canadian Brig. Gen. Paul Wynnyk, the coalition's officer in charge of Afghan National Army development.

The Taliban, by contrast, portrayed Monday's events as an unqualified triumph. In statements posted on the Voice of Jihad, a slick multilingual Web site run by the Taliban's high command, the militant group claimed to have killed "dozens of foreigners" at the Serena and 31 government soldiers. "The soldiers of the NATO and the security forces are seen to run about in a confused and chaotic state at the battle ground," it crowed.

Among the residents of Kabul, views were divided. Haji Akram, a 65-year-old jeweler whose store is located a couple of blocks from the scene of Monday's fighting, praised the ANA.

But Ahmad Jamal, another shopkeeper in the area, disagreed. "With this attack, the Taliban showed how strong they are," he said. "I am scared."

India cricket snub infuriates Pakistan

Anger in Pakistan over India's professional cricket league's snub of Pakistan players this week has spread from the cricket pitch to the political field.

*By **Arlene Chang** in Mumbai and **Zahid Hussain** in Islamabad*

None of the eight teams of the Indian Premier League bid for Pakistani cricket players in a team-building auction Tuesday. The league, one of the world's most lucrative, has been stocked with Pakistani stars in the past. This year the Indian teams seemed worried Pakistan players could have trouble getting visas to play in India should tensions between Indian and Pakistan spike.

Leading Pakistani players like Shahid Afridi, Abdul Razzak and Sohail Tanvir lashed out after being ignored in the auction. "If the Indians do not want us to play in their country they should have told us before hand," said Ramiz Raja, a former Pakistani cricket captain.

Pakistani politicians followed suit, threatening to give India similar treatment. Pakistan Interior Minister Rehman Malik said that ignoring the 11 Pakistani players up for selection shows "that India is not taking us seriously at all."

There were street demonstrations Thursday in a handful of Pakistan cities protesting the Indian league's no-bid move. Television pictures showed straw effigies of the Indian league's chief, Lalit Modi, burning on Pakistani streets.

Indian officials played down the concerns, saying the team selections weren't connected to politics. "The government has nothing to do with the IPL, selection of players, ratings of players and various exercises which are connected with that," India's Minister of External Affairs S.M. Krishna said. "Pakistan will have to draw the line between where the government of India is connected and where it is an actor."

The cricket squabble comes as U.S. Defense Secretary Robert Gates is in the region hoping to promote better relations between two. He arrived in Pakistan Thursday to discuss defense strategies against the Pakistani-Taliban who are attacking NATO troops in Afghanistan.

Associated Press

Pakistan's Shahid Afridi, right, celebrates with a fellow cricket player in October.

On Wednesday, the Pakistani government canceled the visit of a delegation to India, to mark its protest of the treatment given to the players. Calling it a national humiliation, some lawmakers have urged a complete ban on any sporting interaction with India as well as the showing of Indian films in Pakistan.

"We cannot tolerate the humiliation of Pakistani cricketers and demand an apology from Indian authorities," Mr. Malik said.

The Indian Premier League has become wildly popular in India since it started, using an abbreviated form of cricket, two years ago. The league has eight teams affiliated with India's big cities and is owned by the country's industrial and movie industry giants.

Mr. Modi said it was unfair to call the Indian league biased, saying that players from Holland, Canada and Australia weren't picked.

"There was no agreement amongst team owners that they would not bid for Pakistani players and there was no directive by anyone," Mr. Modi said, "If you have to choose one player out of 70, every team will choose the best fit."

India's External Affairs Ministry denied that potential visa problems were the cause of the snub.

Obama proposes new U.S. bank curbs

By Jonathan Weisman And Henry J. Pulizzi

AFP/Getty Images

U.S. President Barack Obama, surrounded by members of his administration, speaks about new financial regulations at the White House on Thursday.

WASHINGTON—President Barack Obama proposed new rules Thursday designed to restrict the size and activities of the U.S.'s biggest banks, the latest in a series of administration moves to curb Wall Street.

The White House wants commercial banks that take deposits from customers to be barred from investing on behalf of the bank itself—what's known as proprietary trading—and said the administration would seek new limits on the size and concentration of financial institutions.

Administration officials said the new rules would force major institutions from **J.P. Morgan Chase** & Co. to **Bank of America** Corp. to decide the direction of their business. Banks shielded from risk through federal-deposit insurance, or aided in financial crises by low-interest loans from the Federal Reserve Board, would no longer be allowed to engage in trading unrelated to their customers' interests, one senior administration official said.

Under the proposed rule, commercial banks would be prohibited from owning, investing in or advising hedge funds or private-equity firms. Bank regulators wouldn't simply be given the discretion to enforce such rules. They would be required to do so.

"You can choose to engage in proprietary trading, or you can own a bank, but you can't do both," the official said.

Administration officials said they also wanted to toughen an existing cap on bank market share. Since 1994, no bank can have more than 10% of the U.S.'s insured deposits. The Obama administration wants that cap to include noninsured deposits and other assets. The White House released no information on what those other assets might be, saying officials would work closely with Congress to set tougher caps designed to prevent the further concentration of the financial industry among a few behemoths.

The White House hopes the two new proposals will be taken up by the Senate Banking Committee as it moves forward with major legislation overhauling and toughening bank regulations in the wake of the financial crisis. Administration officials said they weren't trying to resurrect Depression-era laws that strictly divided commercial banks from investment operations. Nor would their proposals force existing financial firms to downsize.

"Never again will the American taxpayer be held hostage by a bank that is too big to fail," Mr. Obama said Thursday.

The initial reaction from some Republicans has been sharply critical, with several saying the White House is trying to hammer big banks to score political points.

"This renewed focus on financial-services reform by the Obama administration is clearly a transparent attempt at faux-populism, in light of the outcome of the Massachusetts Senate race," said Rep. Scott Garrett (R., N.J.). "The American people have rejected extreme government expansion into the private sector, be it in the health care, financial services or auto industry."

One senior administration official said proposed new rules are designed to combat "too big to fail" institutions.

They come after Wall Street firms that got special protections during the financial crisis turned massive profits on proprietary trading that was protected by the federal safety net.

"We want to move them toward their core business or serving their clients," the official said.

Such proposals were left out of the details regulatory overhaul put forward by the president in June. And White House aides have sent out signals that they were resisting calls for stronger action to limit the size and scope of banks.

—Damian Paletta contributed to this article.

Four reasons Obama's bank tax plan still has a chance

[Capital]

By David Wessel

The proposed tax on banks is one Obama initiative likely to survive this week's Boston Massacre. Beating up on banks is one of the few things that brings depressed Democrats and reinvigorated Republicans together these days.

Here are four reasons the tax still has a chance:

■ One, the politics favor the tax. Many Americans believe that Wall Street got bailed out, and Main Street didn't. The rising stock market, the return of bonuses and the arrogance of some Wall Street CEOs infuriate taxpayers facing 10% unemployment and shrunken home values. The White House and Federal Reserve mantra—it could have been worse—isn't working.

The instant take-away from Massachusetts by politicians and their consultants is that populist sentiment in both parties is too strong to ignore. Some Democrats mutter that had President Barack Obama been more aggressive about the banks, he and other Democrats might be more popular. (Of course, these Democrats hoped the bank tax might help Massachusetts Democrat Martha Coakley beat Republican Scott Brown, who opposed it. But the issue never caught on in the Senate race there amid angst about health care and jobs.)

A bank tax is almost certain to get through the House, perhaps one even harsher than the Obama version. The big question is what Senate Republicans do. Do those up for re-election in 2010 back the tax? Or do Senate Republican leaders block almost everything this year?

■ Two, banks are going to have a hard time fighting this one. About the only headline that cheered the White House this week: word that big financial firms were pondering a constitutional challenge to the levy. (You could almost hear someone in the administration saying: Bring 'em on!)With most big banks regaining their health, the administration no longer feels the need to reassure markets that the banks will survive.

Big financial firms argue that the tax isn't fair. We paid the government back; don't make us pay for bailing out General Motors, they say.

The administration counters that the Troubled Asset Relief Program law requires that the government be paid back by 2013. The money is going to come from the winners, not the losers, and the benefits to the winners of saving the system surely exceed the fees they paid on direct aid. And, seriously now, do bankers really think they can win a debate about *fairness*?

Banks say the $9 billion-a-year levy will curtail lending because they will have less to lend. That's a better defense. But the administration fires back: Doesn't paying big bonuses have the same effect on your ability to lend? "It is more than a little disingenuous for bank lobbyists to heatedly deny that bonus or dividend payments could possibly cut into lending, and then to turn around and assert that reasonable fees that represent a small fraction of profits will reduce lending by a trillion dollars," says Lawrence Summers, the White House economic adviser.

■ Three, the Massachusetts vote pushed the budget deficit up a notch on the to-do list. It was no coincidence that the White House and congressional Democrats came to terms on a deficit-reduction commission this week. Anything that raises $90 billion over 10 years looks attractive, especially because the fragility of the economic recovery and the Republicans' muscle in the Senate may lead the president to accept an extension of all the Bush tax cuts due to expire at year's end.

■ Four, the tax is cleverly designed. The administration considered and rejected a British-style tax on bonuses, a tax on bank profits, even tweaking the tax code to disallow some interest deductions. Instead, it decided to levy a 0.15% tax—technically a fee, which makes it tax-deductible--aimed at short-term borrowing of U.S. and foreign banks, investment banks and insurance companies.

To avoid bank runs, the government insures bank deposits; banks pay a premium for that insurance. In the recent crisis, there was no widespread run on bank deposits.

There was a run on short-term borrowing by financial firms in financial markets, a run so virulent that the government had to step in to save the system. The Obama tax, in essence, imposes a tax on that new government insurance. "We could promise never to bail out financial institutions again. Yet nobody would ever believe us," former Bush economic adviser Gregory Mankiw wrote in an endorsement of the tax on his blog. "If well written, the new tax law would counteract the effects of the implicit subsidies from expected future bailouts."

The tax is also intended to discourage banks and insurers from borrowing so much, prodding them to avoid the overleveraging that was one cause of the crisis. In this sense, the tax is part of an evolving Obama "never again" program aimed at avoiding a repeat of the Panic of '08.

There's more to come. While rejecting calls to restore the old Glass-Steagall walls between banking and underwriting, Mr. Obama on Thursday will stand beside former Federal Reserve Chairman Paul Volcker and offer a new proposal to restrain financial firms from getting so big or interconnected that the government can't safely let them fail.

WSJ.com

David Wessel discusses why Obama's bank tax is likely to survive the Massachusetts election at **WSJ.com/Video**

WORLD NEWS

Health risks to Haiti survivors grow

Need for surgery and medicines becomes acute after the disaster as estimates of the death toll increase to 200,000

By Ianthe Jeanne Dugan And Corey Dade

PORT-AU-PRINCE, Haiti—Unknown numbers of people are dying every day in Haiti due to a lack of medicines and assistance, compounding the tragedy from last week's earthquake, aid workers said.

At the same time, workers are carving out mass graves on a hillside north of Haiti's capital, using earth-movers to bury 10,000 victims in a single day, the Associated Press reported Thursday.

The news agency also reported one rescue. The International Medical Corps said it was caring for a child found in ruins. The boy's uncle told doctors and a nurse with the Los Angeles-based organization that relatives pulled the 5-year-old from the wreckage of his home Wednesday after searching for a week, said Margaret Aguirre, an IMC spokeswoman in Haiti.

The death toll is estimated at 200,000, according to Haitian government figures relayed by the European Commission, with 80,000 buried in mass graves, the AP said. The commission now estimates two million homeless, up from 1.5 million, and said 250,000 are in need of urgent aid.

Getting help in is still a challenge. Gen. Douglas Fraser, head of the U.S. Southern Command running Haiti's airports said Thursday that 1,400 flights are on a waiting list for slots at the Port-au-Prince airport that can handle 120 to 140 flights a day, the news agency reported. At least 50 sizable aftershocks have jolted the city, sending nervous Haitians fleeing repeatedly into the streets—and keeping many sleeping in the open.

Aid such as food and water began to be more widely distributed and a U.S. medical ship arrived and began taking on patients Wednesday. But the need for essentials such as medicines was overwhelming—and claiming lives by the day.

Thousands of injured, some grievously, wait outside virtually any hospital or clinic, pleading for treatment.

Outside the capital's main hospital on Wednesday, armed guards in tanks kept out mobs. Inside the hospital's gates, dozens of patients recovering from surgery lay outdoors on beds under makeshift tents. Many had amputations. Two newborn babies cried. The smell of infection hung in the air, and visitors wore masks to keep out the smell and dust.

At any time, more than 1,000 people are waiting for surgery at the hospital, said Andrew Marx, spokesman for Partners in Health, a U.S.-based aid group that has been providing health care in Haiti for two decades.

Partners in Health warned on its Web site Tuesday that as many as 20,000 people in Haiti might be dying daily from infections such as gangrene and sepsis, raising the possibility that as many people could die in the days and weeks after the quake as died in the actual 7.0 temblor.

"Tens of thousands of earthquake victims need emergency surgical care now!!!" the group said in its online statement. "The death toll and the incidence of gangrene and other deadly infections will continue to rise unless a massive effort is made to open and staff more operating rooms and to deliver essential equipment and supplies."

The Haitian government's minister of communications, Marie-Laurence Jocelyn Lassègue, disputed the notion that large numbers of Haitians were still dying every day.

"There are seven medical centers functioning. The general hospital is open. We have foreign doctors, we have medicines coming in," she said. Asked about the estimate of 20,000 a day, she said: "No, that's way too high."

Others also said the aid group's fatalities figure was likely way too high. "I've seen that figure, and it seems too high," said Sir John Holmes, a United Nations undersecretary-general and its emergency relief coordinator. Haitian government officials also disputed the figure.

The dire medical situation is being helped somewhat by Wednesday's arrival—a day ahead of schedule—of the USNS Comfort, a hospital ship carrying 550 medical staff and 1,000 beds. A U.S. military helicopter delivered the first two patients, a 6-year-old boy and a 20-year-old man, to the Comfort in the early hours of the day, according to the U.S. military.

The lack of supplies could turn even the shreds of good news over the past week into tragedy. For instance, about 121 people have been pulled from the rubble in the past week by international rescue teams, not to mention many others pulled out by locals. Late Tuesday, there were several dramatic rescues, including that of a 15-day-old baby who survived for a week with no food and water in the coastal city of Jacmel.

Some of those survivors, however, could die in coming days if they don't receive medical treatment for their injuries.

Aid group Doctors Without Borders, which has more than 700 workers at several Haiti hospitals, said one of the greatest problems is an inability to treat patients with "crush syndrome," in which damaged muscle tissue releases toxins to the bloodstream that can cause kidney failure and then death. The condition is treated with dialysis machines; two such machines were on one of the organization's cargo planes that was blocked three times on Sunday from landing at Port-au-Prince's Toussaint Louverture International Airport.

Doctors Without Borders says five of its planes carrying a total of 85 tons of supplies have been diverted from Port-au-Prince to the Dominican Republic since Jan. 14.

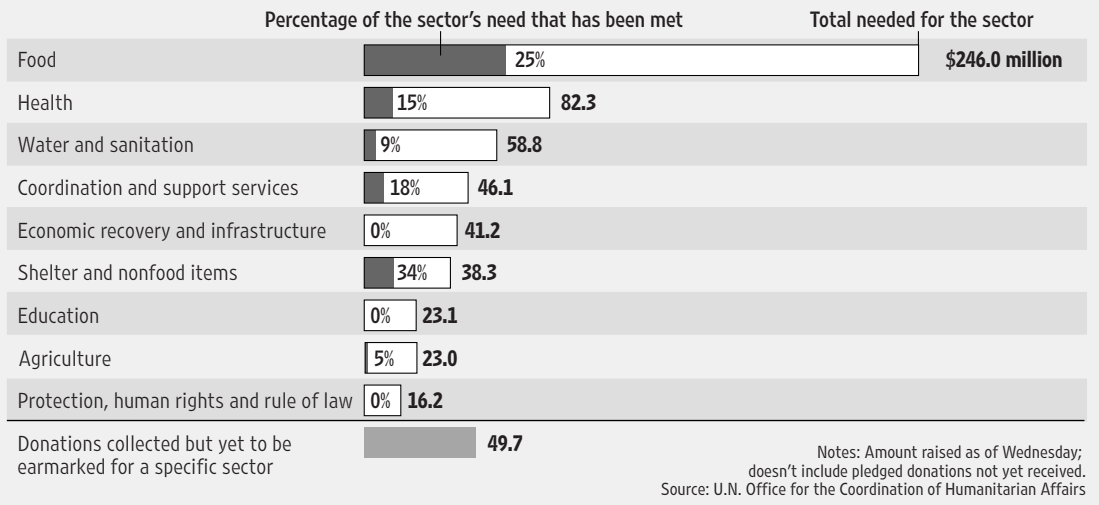
"We have had five patients in Martissant health center die for lack of the medical supplies that this plane was carrying" on Sunday, said Loris de Filippi, emergency coordinator for the organization's Choscal Hospital in Cité Soleil, in a statement.

Despite a huge increase in the flow of aid—daily flights at Port-au-Prince's one-runway airport have surged to more than 100 from 30—the amount of relief supplies remains inadequate to the need. The World Food Program, for example, said more than a quarter-million ready-to-eat food rations had been distributed in Haiti by Tuesday, but that was enough for only a fraction of the three million people thought to be in desperate need. The WFP said it needs to deliver 100 million ready-to-eat rations in the next 30 days, but it had only 16 million meals in the pipeline.

—Joe Lauria contributed to this article.

Pitching in

The United Nations is seeking $575 million in aid for Haiti from the international community. A breakdown of how the U.N. anticipates aid will be allocated:



Notes: Amount raised as of Wednesday; doesn't include pledged donations not yet received.
Source: U.N. Office for the Coordination of Humanitarian Affairs

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Bankers cautious on euro-zone gains

By Joe Parkinson And Nina Koeppen

LONDON—Cautionary comments from central bankers and surveys showing slower growth in January are fueling concerns that the euro zones's economic recovery is losing steam.

Economic research firm Markit said its flash composite purchasing managers index for the euro zone—a key measure of private-sector activity based on a survey of 2,000 companies—fell to 53.6 in January from 54.2 in December.

That included the largest monthly dip in the services sector for nearly in year, although the index remained above the 50 level that signals an expansion in activity.

Those concerns were echoed in a separate report from the European Central Bank, which warned that temporary stimulus programs were underpinning economic activity and stressed that the bloc's bruised banking system could become an obstacle to recovery.

ECB President Jean-Claude Trichet also weighed in, commenting in a speech that the euro-zone recovery is likely to be bumpy and cautioning against hopes that fiscal stimulus programs could spur more vibrant economic activity.

German Bundesbank President and ECB Governing Council member Axel Weber also said German economic growth in the fourth quarter will likely be cut from the 0.5% expansion previously forecast—another factor that could drag on the currency bloc's recovery.

The mixed signals vexed economists, who had forecast a stronger economic performance.

The mixed signals vexed economists, who had forecast a stronger performance, and prompted questions over whether the euro zone recovery was stuttering.

"January's fall suggests that the recovery might be losing momentum," said Jennifer McKeown, European economist at Capital Economics. "The service sector drop is a particularly worrying indication that the much-needed domestic recovery has yet to materialize."

The euro-zone economy returned to growth in 2009, posting an expansion of 0.4% in the third quarter after five consecutive quarters of contraction. But the third-quarter gross domestic product data showed much of the growth was due to manufacturers rebuilding inventory, while consumer and investment spending shrank and exports made only a small contribution to growth.

Many economists remain concerned about what will happen when government stimulus programs that have underpinned the fragile recovery are eventually wound down and countries try to cut back their bulging budget deficits to precrisis levels.

Despite the uncertain economic outlook, January's PMI data showed European firms are becoming more confident about future demand, reflected in a strong rise in services-sector sentiment.

Chris Williamson, chief economist at Markit, said the positive news on hiring was "encouraging," stressing that any easing in the growth rate should be due in part to the adverse weather that affected many businesses during the month.

ON OTHER FRONTS

Mumbai builds elevated walkways

Packed streets have a city of walkers looking skyward for answers; 'Yellow Caterpillar' or a 'huge mistake'

By Eric Bellman
Mumbai

Mumbai's muddled streets are too packed to walk through, so India's commercial capital has come up with a solution. Uplift the masses—not in some fuzzy metaphysical way, but on "skywalks" made of steel.

Most streets here have no footpaths. The sidewalks that do exist are bursting from a gridlock of walkers, street vendors and squatters. The scrum has become even pushier recently as hundreds of thousands migrate to this city of nearly 18 million people for jobs created by its economic expansion. Success has also led to an unprecedented number of cars and motorcycles on the road.

To lift the pedestrians that power this city above the fray, Mumbai is building more than 50 elevated walkways. The skywalks will sprout from train stations across the city and snake over the traffic for up to 3.2 kilometers to create a pedestrian express lane.

Shubhangi Ambardekar, a 47-year-old bank employee, used to splurge on an auto rickshaw every workday to avoid the mess on the roads around Bandra train station in central Mumbai. Rickshaws don't like taking such short trips so she would often have to wait 20 minutes before one would take her. Today she uses the new Bandra Station skywalk, strolling two floors above the cacophony. She saves the fare and arrives at work relaxed.

"There's security, it's clean and we get fresh air too," she said on a walk home from work.

The skywalk Ms. Ambardekar uses was the first the city finished last year. Locals have dubbed the bright, twisting structure the "Yellow Caterpillar." At a height of around six meters, it meanders for around two kilometers, delivering commuters to one of Mumbai's many new office parks.

The fate of the city's foot soldiers is crucial because close to 60% of the trips made here are on foot. That makes this one of the most pedestrian-powered metropolises in the world. Until now, however, pedestrians have been largely ignored.

Some Mumbaikars, as citizens are known, aren't happy. Retailers say they are losing business while residents say skywalks block views, allow pedestrians to peek into private homes and are just as likely to be taken over by homeless families and shopless vendors as the sidewalks.

"Whether you have skywalks or not, the problems will remain the same," says Ashok Ravat, head of the Mahim Skywalk Protest Committee, which was created to block a long skywalk scheduled to twist through his neighborhood in central Mumbai. "This is another huge mistake."

Still, something had to be done, city planners say. The road under the Yellow Caterpillar, like station roads across the city, is an obstacle course through a minefield. Commuters spill down the Bandra Station steps and into a knot of three-wheeled auto rickshaws, buses and trucks on the street below. The closest thing to a sidewalk here is a patch of dirt next to a crud-filled creek. Hundreds of commuters walk in the street, dodging vehicles as they go.

Michael Rubenstein

Mumbai is building more than 50 elevated walkways. The skywalks will sprout from train stations across the city.

On the way to the nearby business park—home of Citigroup's main India office and the National Stock Exchange—they pass through a slum. The roadside is occupied by small shops, families living in plastic-tarp homes, parked motorcycles and goats rooting through garbage. The tiny stretch of sidewalk that eventually emerges about five blocks from the station is cut short by the fence of a small neighborhood police station built directly on top of it.

Then pedestrians have to find their way across an off-ramp of Mumbai's busiest highway. There is a functioning traffic signal and even a policeman at the corner, but drivers often ignore both.

The obvious solution of widening the sidewalks just isn't an option. Mumbai, formerly known as Bombay, is a thin spit of land bound on three sides by the Arabian Sea.

Moving buildings to widen roads is next to impossible thanks to tough tenancy laws. Courts and politicians sensitive to the needs of the micro-entrepreneur make it difficult to move illegal street vendors.

"We clear them and they just come back," says Ashwini Bhide, joint metropolitan commissioner of the Mumbai Municipal Regional Development Authority. "That's why we thought, 'Let's create some additional space on the road by going elevated.' "

Skywalks are quick to build, relatively inexpensive and only require land the city already controls. The projected bill for the 50-plus skywalks is around $300 million. The city expects to recover most of that cost by selling advertising space on them.

While Hong Kong has a network of elevated walkways and Minnesota has its "skyway" system to shelter commuters from harsh winters, Mumbai city planners say they came up with this idea on their own.

"It was a local solution for a local problem," says Ms. Bhide. "Because of a paucity of space and such a short supply of land there is no other alternative."

Building the perfect skywalk, however, hasn't been easy. While the walkways run over government roads, there still often isn't space on the ground to plant enough supporting columns. Longer stretches between columns mean the city has to spend more on stronger, lighter materials and thicker columns. Commuters found the early skywalks too boxy and bright, so new ones use curved roofs, dark colors and chrome.

When engineers started digging to build the foundations, they found the chaos on the street continues underground.

A few meters down, they ran into uncharted water, electricity and phone lines as well as sewers, forcing them to redesign whole skywalks. Trying to get the city water authorities or state-run telephone company to shift infrastructure would take too long.

Engineering difficulties and neighborhood opposition have blocked six planned skywalks and could stop more, city planners say. But they will continue building them because the streets are getting worse everyday.

The city has hired armed guards to keep skywalks clear and the response from commuters has been largely positive.

Ms. Ambardekar, the commuter, uses her neighborhood skywalk even on her days off.

"Our city is so crowded we don't have a place to walk or exercise," she says. "My friend and I come up to the skywalk for our evening walks."

—Arlene Chang contributed to this article.

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See a multimedia package about Mumbai's skywalks at asia.WSJ.com

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The Rising Cost of China's Stimulus

China announced eye-popping fourth-quarter GDP growth of 10.7% yesterday, but the markets didn't celebrate much. That's because the cost of monetary stimulus is starting to surface in higher inflation. There's a lesson here not just for Beijing, but for governments the world over.

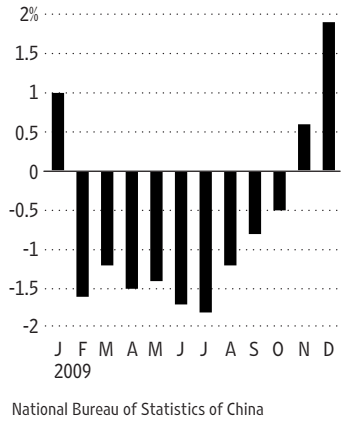
Since the global financial panic hit in November 2008, China has been pumping money into the mainland economy at a brisk pace. Last year outstanding bank loans grew by $9.6 trillion yuan ($1.4 trillion), or 29% of GDP. Money supply also exploded in 2009, with base money up by 32.4% and broad money up by 27.7%.

Inflation didn't immediately surface because Chinese companies and consumers hoarded the capital they received from public coffers, fearing the global economy wouldn't pick up quickly. But once it was clear exports were back on track, spending picked up, as did the velocity of money. Money has poured into stock and property markets. Yesterday, Beijing announced the consumer price index rose by 1.9% last month, up from 0.6% in November.

The good news is that Beijing's policy makers seem to be worried about this trend—although possibly too late, given that the consumer price index is a backward-looking measure. Ma Jiantong, commissioner of the National Bureau of Statistics, said yesterday the government needs to "prevent overly fast price increases." The central bank has increased bank reserve requirements and earlier this week ordered state-owned banks to rein in lending even further.

Higher Prices

Consumer price inflation, year on year



National Bureau of Statistics of China

But it will take much more than tinkering around the edges to change the course of China's supertanker economy. For starters, China's central bank doesn't have the kind of monetary levers that market economies like the U.S. and Britain enjoy. When the lending boom started, companies tended to borrow all they could get, keeping money in their deposit accounts if they didn't need cash right away. So raising rates may not change their behavior.

It may also be hard to rein in local governments, many of which engaged in speculation with the cheap capital and now stand to lose money if the cash flow is cut off. Some provincial governments are talking about starting their own private-equity firms, for instance, and are talking to foreign investors.

Then there's the external inflationary stimulus of the yuan's peg to the U.S. dollar. As the Federal Reserve has kept interest rates at zero for more than year, the value of the dollar has fallen and along with it the yuan. This may have seemed good for China as a boost to its exports. But it also means importing inflation as part of the dollar bloc.

The world's central banks needed to act aggressively when the financial system had its heart attack in late 2008. But the temptation of easy money is always to keep it flowing longer than necessary. China's inflationary signals are exposing the dangers of too much monetary ease. To turn its recovery into a durable expansion, Beijing must now brake a speeding train without derailing it.

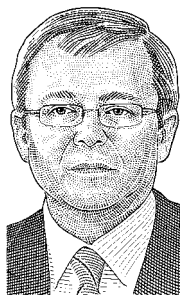
Mr. Rudd's Climate-Change Pitch

Climate-change legislation is declining in popularity the world over, so Prime Minister Kevin Rudd has concocted a new way to sell it—by telling voters they'll come to their senses, eventually.

"The government's focus is taking decisions, hard decisions," Mr. Rudd declared Tuesday, referring to his cap-and-trade bill and other expensive, big-government ideas. "Some of those decisions will not be popular, but decisions in the national interest need to be taken for the future otherwise we place the future at risk."

Australian voters seem to have a different idea of what's in their nation's interest. As the global economy struggled and global-warming science was discredited last year, climate change slipped as an item of concern in national polls. This presented a big problem for Mr. Rudd, who has spent a lot of political capital on his environment bona fides and took over 100 staffers to Copenhagen last month to lobby for a global deal.

Mr. Rudd also faces opposition in the Senate, where his Labor Party doesn't hold the balance of power. The rural National Party has come out strongly against cap-and-trade because it thinks—rightly—it's a huge tax on business, and an impediment to growth. The Senate has already rejected two versions of the bill to date, and will consider it again when the Rudd government tries anew next month.



Kevin Rudd

Then there's the opposition Liberal Party, which has seen its fortunes rise after it decided in November, after two years of dithering, to oppose Mr. Rudd's plan. In a Newspoll released Tuesday, Liberal leader Tony Abbott's popularity again rose. He is now twice as liked as former Liberal leader Malcolm Turnbull, who basically agreed with Mr. Rudd's cap-and-tax agenda, just with carveouts for big business.

Mr. Rudd may be trying to reposition himself as a hardline, do-it-at-all-costs decision-maker because Mr. Abbott has labelled him a man that's all spin and no substance. True or not, the solution isn't to barrel ahead with initiatives that the public doesn't support, as this week's election result in Massachusetts showed. Rather, Mr. Rudd could do something really radical and reconsider the wisdom of cap-and-trade.

RomneyCare Revisited

Liberals are now trying to sell the fantasy, and maybe even convince themselves, that ObamaCare isn't among the reasons Senator-elect Scott Brown is headed to Washington. One of the only Massachusetts exit polls doesn't corroborate the story: Rasmussen reports that 51% of voters on Tuesday were opposed and 47% in favor—41% "strongly opposed" and just 25% "strongly in favor." Health care was the decisive factor for 56%.

> What Massachusetts voters knew about health reform.

Perhaps that's because Bay State residents know something the rest of the country doesn't. In 2006, then GOP Governor Mitt Romney brought about a universal insurance plan that bears an uncanny resemblance to ObamaCare—and a meticulous new study confirms that the result has been high costs in return for minimal benefits.

Using the Census Bureau's current population survey, University of Kentucky economist Aaron Yelowitz and Michael Cannon of the Cato Institute studied RomneyCare between 2005 and 2008—that is, two years on either side of its passage. The share of uninsured residents did fall to 5.4% in 2008 from 9.8% in 2005 (though the authors argue this reduction is overstated).

But Messrs. Yelowitz and Cannon show that most of the new coverage was concentrated among people earning under 300% of the federal poverty level, or about $66,000 for a family of four. Those happen to be the same people who qualify for subsidies in the heavily regulated insurance "connector," the prototype for the "exchanges" that Democrats were contemplating before Mr. Brown so rudely interrupted.

Coverage for adults in this group increased by 14.2 percentage points—which merely proves that "universal" coverage isn't much of a problem if health care is cheap for consumers. But another way of thinking about it is that the subsidies amount to a taxpayer-funded insurance discount. The same increase in coverage might be achievable if health care were less expensive. But rather than deregulate and reform the private market to lower costs, Mr. Romney and Democrats defaulted to the same public transfer payments that define ObamaCare.

The program's costs have since exploded and compounded the Bay State's budget burdens, even though the feds pay a large share of RomneyCare's costs via Medicaid. One reason for this spending boom, say Messrs. Yelowitz and Cannon, is that subsidized coverage has tended to crowd out private insurance: Among adults eligible for subsidies, unsubsidized coverage fell by 6.2 percentage points even as overall coverage increased statewide and in neighboring New England. The authors also point out that the true costs are, conservatively, 57% higher than what the government spends if unfunded private sector mandates are included—or about $1 billion total in 2008.

Meanwhile, although Mr. Romney promised that his plan would lower costs, the liberal Commonwealth Fund reports that Massachusetts insurance costs have climbed anywhere from 21% to 46% faster than the U.S. average since 2005. Employer-sponsored premiums are now the highest in the nation.

In other words, Massachusetts voters knew what they were doing when they ratified Mr. Brown's request to make him the 41st Senate vote against the national version of RomneyCare.

Democrats are now bemoaning their new powerlessness to ram ObamaCare through Congress with a partisan majority, but they're the ones who were on the verge of imposing social legislation so controversial and complex that it could only pass by one vote in the first place. Now the country has a second chance to learn from Massachusetts's 2006 mistake—and this time, let us hope, not by imitation.

Pepper . . . and Salt

THE WALL STREET JOURNAL

"I do admire your take charge attitude, Simms, but I need my desk back."

OPINION

The North Asia Security Split

By Carolyn Leddy

Asia marks two important anniversaries this year: the 50th anniversary of the U.S.-Japan Security Treaty and 60 years since the beginning of the Korean War. That makes this an opportune time to examine just how divergent security policy in Tokyo and Seoul has become.

The global economic downturn and competing domestic priori-

South Korea is getting serious about its own defense, so why isn't Japan?

ties have left both capitals facing budget constraints. But budget austerity measures have not deterred South Korea from maintaining its commitment to its National Defense Reform 2020 plan, put in place in 2005 and revised last year by President Lee Myung-bak to enhance military capabilities, improve efficiency and build a military force prepared to meet 21st-century global challenges. Meanwhile, Japan's National Defense Program Guidelines—its basic security policy outline which is updated every five years, and due to be completed last December—have been delayed until the end of 2010. Yet the new Democratic Party of Japan-led government still felt safe enough to cut the defense budget for an eighth consecutive year.

There are stark differences between Seoul and Tokyo's approaches to defense infrastructure, too. The former exported nearly $1.2 billion dollars in defense equipment last year and is on target to meet its goal of becoming a top 10 global exporter of defense equipment in 2012. By contrast, conditions in Japan's defense industry remain bleak: The industry is shrinking rapidly because of decreased domestic demand, and the situation is unlikely to improve as long as Japan's self-imposed Cold War-era arms export ban remains. Japanese Defense Minister Toshimi Kitazawa suggested reviewing Japan's primitive policy on arms exports last Tuesday. But Prime Minister Yukio Hatoyama quickly rebuked him for being "loose-tongued," and reaffirmed that the ban would remain in place.

The variance in approaches to international diplomacy, particularly Afghanistan, is noteworthy too. Last Friday Japan's refueling mission in support of U.S.-led operations in Afghanistan expired. Rather than continue the logistical support, the Japanese government pledged $5 billion in financial assistance to the country over the next five years. This financial commitment is significant, but it will be of limited benefit if the security situation in Afghanistan remains precarious for aid workers. There is a growing sense that Tokyo's financial commitment in lieu of boots-on-the-ground indicates a Japanese

Reuters

Lee Myung-bak and Yukio Hatoyama's security policies are diverging dramatically.

retreat to the 1990s era of "checkbook diplomacy." While it remains to be seen whether this assessment is merited, Japan's Afghanistan policy suggests Tokyo is inclined to resist robust international engagement in the coming years.

The situation is markedly different in Seoul, where President Lee has eagerly embraced a leadership role for South Korea in world affairs. In his New Year's address, President Lee highlighted "global diplomacy" as one of the three main pillars of his government's agenda for 2010. And South Korea is moving to fulfill this vision by undertaking a substantive role in Afghanistan, where it plans to send a 360-member combined civilian and military Provincial Reconstruction Team this summer. The Lee government has made the courageous decision to re-engage directly in Afghanistan only two years after the previous government withdrew South Korean forces following the killing of two nationals by the Taliban.

The two countries' alliance relationships with the United States are also sharply diverging. President Lee boasted recently that ties with the U.S. are "stronger than ever." And South Korea is working to demonstrate the strength of this partnership, including through active efforts to assume wartime control of its troops on the Korean peninsula from the U.S. in 2012. During his October 2009 visit to Seoul, U.S. Secretary of Defense Robert Gates praised Seoul's efforts to transform its military and heralded the growing "active strategic partnership" between the two partners.

The U.S. and Japan use similarly upbeat rhetoric to describe their alliance, but there's little to show for it. The biggest rift in the relationship is the dispute over the U.S. Marine Corps base on Okinawa, which has become a major domestic political issue in Japan. Rather than honor a commitment on troop relocation that took over a decade to negotiate, the DPJ-led government wants to ditch it and start over again. On Tuesday, Prime Minister Yukio Hatoyama marked the 50th anniversary of the alliance by promising to mend the rift by "year-end." The clock is ticking.

In the year of the tiger, Seoul is proudly displaying its stripes in Asia and around the world. In contrast, Japan appears to be cowering like a wounded tiger cub, unsure of its global role and the benefits of aligning itself with the world's most powerful democracy—which has guaranteed its security for over half a century. The stability and security of both countries—and North Asia as a whole—depends on Seoul's courage and Tokyo's ability to overcome its cowardice. Stay tuned.

Ms. Leddy, a Council on Foreign Relations-Hitachi Ltd. international affairs fellow at the National Institute for Defense Studies in Japan, was director for counterproliferation strategy at the U.S. National Security Council from 2006 to 2007.

Google Didn't Kowtow and Neither Should You

By John Bolton

Google's threat to withdraw from China has attracted considerable attention in business circles and the critical but arcane world of cyberwarfare. But the unfolding story also has far broader implications for how U.S. businesses approach the Chinese market and for the U.S. government, which has often failed to vigorously assert U.S. political and economic interests. Far from being a retreat, Google's move may represent an aggressive corporate step forward in insisting on reciprocal fair dealing.

Although there have been prior examples of corporations leaving China, Google's is the most noteworthy potential precedent because of its global prominence. China's apparent hacking into Google's email system also raises broader questions about the country's inadequate protection of intellectual property and what place the rule of law actually has among Chinese policy-making priorities, political as well as economic. Human rights, freedom of religion and ethnic discontent all cloud China's reputation as a "responsible stakeholder" in world affairs.

Nonetheless, the lure of China's market has quieted many complaints by foreign businesses loathe to provoke Beijing or cede such a potentially huge market to competitors, either domestic or foreign. Inevitably, the refrain is that "China will soon be the world's largest economy," and firms are simply expected to bite their tongues and plow ahead.

For years, U.S. administrations of both parties have held much the same view. Analysts and "experts" repeatedly advise not to "press too hard" on China on (a) currency manipulation; (b) North Korea's nuclear-weapons program and proliferation generally; (c) domestic human-rights policy; (d) Tibet; or (e) [fill in the blank] because "China will not be pleased." Of course, this is a prescription for doing nothing to change undesirable Chinese policies, and indeed implicitly encourages Beijing to continue them.

These widespread strategies of appeasement simply give China what it wants for free. Bringing China appropriately to diplomatic battle on any given issue can hardly be worse than surrendering without a fight, which has occurred all too often in recent years. If fear of retaliation over the immediate issue in dis-

The company is only insisting on reciprocal fair dealing—something that is in America's interest, too.

pute—or in a perhaps completely unrelated area—inhibits the U.S. from objecting to unsatisfactory Chinese policies, China will simply proceed to have its way. This analysis is not a criticism of China, which forthrightly does what it can get away with, but of limp-wristed American policy.

Take, for example, China's massive store of U.S. government debt, the current all-purpose reason not to rouse the slumbering Chinese dragon. China's holdings should not inhibit Washington from strongly asserting U.S. views, whether on North Korea, human rights or trade. If Beijing actually acts in a way that exacerbates the looming debt problem, it would only be making concrete what we already know, and should already be resolving on our own—which is that our growing public debt is unwise and unsustainable. China already runs its own considerable economic risks as a U.S. creditor. It may be China that is the paper tiger—but how will we know, if we never test it? (Ironically, the U.S. should be delighted that China worries about exploding U.S. government budget deficits and the risks of massive inflation. Too bad the Obama administration doesn't have Beijing's acuity, but perhaps China will save us from our own misdirection.)

China's advocates make a critical mistake trying to justify the country's aberrant commercial behavior. Businessman Tang Jun, for example, recently questioned Microsoft's position against piracy of its intellectual property by telling the Washington Post that "in a lot of other countries that can work. But China is a very unique country." Unique in saying that stealing intellectual property is the norm in China and must be accepted? Hardly an "open for business" sign or the reputation that any country, no matter how large its market, should want.

Supineness only convinces Beijing that a "take it or leave it" approach will work in more and more circumstances. Here, Google's conduct in the immediate future is critical: If Google can negotiate satisfactory protections for its operations in China and decides to remain, then its hard line will have proven successful. But if Google cannot get essentially what it wants, and nonetheless remains in China, that will be the worst signal of all. Google must remember never to make threats unless the company is fully prepared to carry them out.

The U.S. government and American businesses should do what they naturally do elsewhere: defend their own interests vigorously. Make deals in or with China when they meet the tests of satisfying those interests, not out of generalized fear of retaliation or lack of cooperation from Beijing down the road. In reality, Beijing is more likely to respect a determined interlocutor, business or government, than a weak-willed one. It is incomprehensible that Americans have not appreciated and acted upon this lesson in recent years. Perhaps Google is about to educate us.

Mr. Bolton, a senior fellow at the American Enterprise Institute, is the author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).

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IN DEPTH

ExxonMobil CEO Rex Tillerson, left, and XTO Energy chairman Bob Simpson, right, testify during a hearing before the U.S. Energy and Environment Subcommittee of the House Energy and Commerce Committee on Wednesday.

Getty Images

Drilling tactic unleashes trove of natural gas—and backlash

Success with hydraulic fracturing triggers increasing debate over whether process could pollute freshwater supplies

By Ben Casselman And Russell Gold
Shreveport, La.

Amounting backlash against a technique used in natural-gas drilling is threatening to slow development of the huge gas fields that some hope will reduce U.S. dependence on foreign oil and polluting coal.

The U.S. energy industry says there is enough untapped domestic natural gas to last a century—but getting to that gas requires injecting millions of gallons of water into the ground to crack open the dense rocks holding the deposits. The process, known as hydraulic fracturing, has turned gas deposits in shale formations into an energy bonanza.

The industry's success has triggered increasing debate over whether the drilling process could pollute freshwater supplies. Federal and state authorities are considering action that could regulate hydraulic fracturing, potentially making drilling less profitable and giving companies less reason to tap into this ample supply of natural gas.

Exxon Mobil Corp. placed itself squarely in the middle of the wrangling when it agreed last month to acquire gas producer **XTO Energy** Inc., a fracturing pioneer, in a deal now valued at $29 billion. Wary of the rising outcry, Exxon negotiated the right to back out of its deal if Congress passes a law to make hydraulic fracturing illegal or "commercially impracticable."

On Wednesday, Exxon Chairman and Chief Executive Rex Tillerson faced questions about the environmental impact of hydraulic fracturing at a Capitol Hill hearing on the merger.

"We can now find and produce unconventional natural-gas supplies miles below the surface in a safe, efficient and environmentally responsible manner," Mr. Tillerson told members of the House Energy and Commerce Committee.

Criticism of hydraulic fracturing was muted at the hearing, with most representatives focusing on the potential benefits of increased gas use. But the merger has given drilling opponents a new target.

"It puts Exxon at front and center of this whole issue," said Michael Passoff, associate director of As You Sow, an environmental-minded investment group.

Even before the Exxon-XTO deal, the controversy over hydraulic fracturing, also known as "fracking" or "fracing," was growing.

Oilmen were injecting water into wells to free up valuable oil and gas as far back as the 1940s. But in the past decade the technique has really taken off. First in East Texas and in the outskirts of Fort Worth, companies began pumping water under enormous pressure to see if they could break open dense shale-rock formations to release gas.

These initial efforts were largely welcomed by communities, with homeowners and landlords often receiving lucrative checks for the mineral rights that allowed companies to drill on their land.

When early efforts succeeded, the companies began running bigger fracturing jobs, using more water and higher pressure—and in turn searching for even more gas-bearing shale deposits.

This took the gas industry into places where drilling was less common in modern times, including downtown Fort Worth, northeastern Pennsylvania and within the city limits of Shreveport, La.

Hydraulic fracturing and some other technology improvements have created a way to tap a domestic fuel source that has proved abundant. U.S. natural-gas production has risen about 20% since 2005 in large part because of these developments, making gas a much bigger player in energy-policy planning.

Natural gas heats more than half of U.S. homes and generates a fifth of America's electricity, far less than coal, which provides the U.S. with nearly half its power. The industry and its allies are promoting natural gas a bridge fuel to help wean the U.S. off coal, which emits more global-

IN DEPTH

warming gases, and imported oil until renewable fuels are able to meet the demand.

What most worries environmentalists isn't the water in the fracturing process—it's the chemicals mixed in the water to reduce friction, kill bacteria and prevent mineral buildup. The chemicals make up less than 1% of the overall solution, but some are hazardous in low concentrations.

Today, the industry estimates that 90% of all new gas wells are fractured. Shale—a dense, nonporous gas-bearing rock—won't release its gas unless it is cracked open, and other types of formations also produce more gas when fractured. Easier, more porous formations, which don't require fracturing, were tapped in earlier decades and have largely dried up.

As the industry has honed its techniques, hydraulic-fracturing operations have become more complex, requiring far more water and chemicals—millions of gallons per well, rather than tens or hundreds of thousands of gallons in the past.

Environmentalists and some community activists fear hydraulic fracturing could contaminate drinking-water supplies. They point to recent incidents that they say are linked to fracturing, including a water-well explosion in Dimock, Pa., and a chemical spill here in Shreveport.

The industry says fracturing is safe and argues that there have been only a handful of incidents among the large number of wells that have been fractured over the past 50 years.

"Hydraulic fracturing has been used since the 1940s in more than one million wells in the United States. It's safe and effective," says Exxon spokeswoman Cynthia Bergman.

Even if the industry can make its case, it still must deal with the public-relations and political fallout from some of the questionable incidents.

On a recent Friday morning, a crew from **Cudd Energy Services** worked to fracture a **Chesapeake Energy** Corp. well in Caddo Parish, La., the heart of the Haynesville Shale gas field. While cattle chewed grass in a field across the street, a team of Chesapeake and Cudd employees monitored computer readouts as 21 diesel-powered pumps forced nearly 3,800 gallons of water a minute down a well that reached two miles into the earth.

It is a process Chesapeake says it has learned how to do both efficiently and safely. "We've done it 10,000 times in the company's history without incident," said Aubrey McClendon, Chesapeake's chairman and chief executive officer, in a separate interview.

But in a coffee shop in nearby Shreveport, Caddo Parish Commissioner Matthew Linn said he had concerns after more than a dozen cows died during a Chesapeake Energy fracturing operation last year. A preliminary investigation linked the deaths to chemicals that spilled off the well site into a nearby pasture. A Chesapeake spokesman says the company compensated the cattle's owner and has taken steps to prevent a similar incident in the future.

"I'm all for drilling, and I want to get the gas out from underneath us," Mr. Linn said. "But at the same time, how do you balance human life and quality of life and clean water against that?"

Natural-gas companies say what's at work is fear of the new. "When you introduce something like hydraulic fracturing in a part of the country that hasn't had any experience with it, I think it's natural for there to be questions about the procedure," says Mr. McClendon.

Regardless, the industry faces a real prospect of tightened rules that could make it harder, or impractical, to use hydraulic fracturing. In June, congressional Democrats introduced legislation that would regulate fracturing at the federal level for the first time. The bills remain in committee. In October, the house formally asked the Environmental Protection Agency to study the risks posed by fracturing.

Several states, including Colorado, Pennsylvania and New York, have either passed or are considering tightening regulations on fracturing and related activities.

Members of the House of Representatives pushing for new legislation argue that federal oversight is needed to protect water supplies because state regulations vary widely.

The industry worries that new regulations would hurt the thin margins on many gas wells and cut the financial incentive to tap the U.S.'s vast supply of gas. "There is an anticipation that more federal oversight would add enough costs to make it uneconomical, even it wasn't outright prohibited," said Gary Adams, vice chairman of **Deloitte LLP**'s oil and gas consulting division.

Already, the growing concerns about the practice are causing some companies to rethink where they drill. Chesapeake last fall publicly abandoned plans to drill in the watershed that provides New York City with its drinking water after opposition from city officials and others who feared a spill could contaminate the water. **Talisman Energy** Inc. says it is shifting its drilling effort away from New York because of regulatory challenges there.

There have been attempts to regulate fracturing before. The 1974 Safe Water Drinking Act regulated wells that injected liquids underground. The federal courts ruled the law covered fracturing in a 1990s lawsuit from Alabama. But the technique was exempted from federal oversight in the 2005 Energy Bill.

Some argue there is little really known about whether fracturing poses a genuine risk to water supplies. Hannah Wiseman, a visiting law professor at the University of Texas, Austin, says tighter regulation may be warranted. "There just isn't enough information out there right now about the effects," she said.

Some of the potential threats are clearer than others, however. Gas-bearing shale formations typically lie a mile or more below the surface, with thousands of meters of nonporous rock separating them from even the deepest freshwater aquifers.

Most people agree that means that if a fracturing job is done correctly, it would be virtually impossible for water or chemicals to seep upward into drinking water supplies.

The industry argues that there has never been a proven case of water contamination caused by fracturing. But regulators have tied multiple incidents to oil and gas drilling more generally. Environmental groups point out that wells aren't always constructed properly. Moreover, they say, storage ponds that hold chemical-laced water after fracturing is complete can overflow, and trucks carrying chemicals can crash.

A poorly sealed well is the alleged cause of gas escaping into an underground aquifer in Dimock, Pa. Gas also built up in one resident's water well, causing an explosion in January 2009.

The company that drilled the wells, **Cabot Oil & Gas**, paid a $120,000 fine to settle the matter with the state, but has denied responsibility for the contamination and says fracturing couldn't have been the cause.

"I could never sell this house now," said Dimock resident Craig Sautner, who now has drinking water shipped to him by Cabot. "Our pristine water that we used to have? It's done."

Whether it is the act of fracturing itself or the risk of contamination from related activities is somewhat beside the point, says Amy Mall, a senior policy analyst for the Natural Resources Defense Council, an environmental group that has raised concerns about fracturing. "Ultimately it's semantics. Somebody's water got contaminated," she says.

Still, for Exxon, the hearings this week presented an opportunity to highlight its investment in developing U.S. energy supplies and creating jobs. Most of its investments in recent years have been overseas. And Exxon executives usually face congressional grilling only when oil and gasoline prices skyrocket.

"This should probably be a very pleasant change of pace for Exxon Mobil because it's not going to be an argument about high oil and gasoline prices," says William Hederman, an energy analyst with Washington research firm Concept Capital.

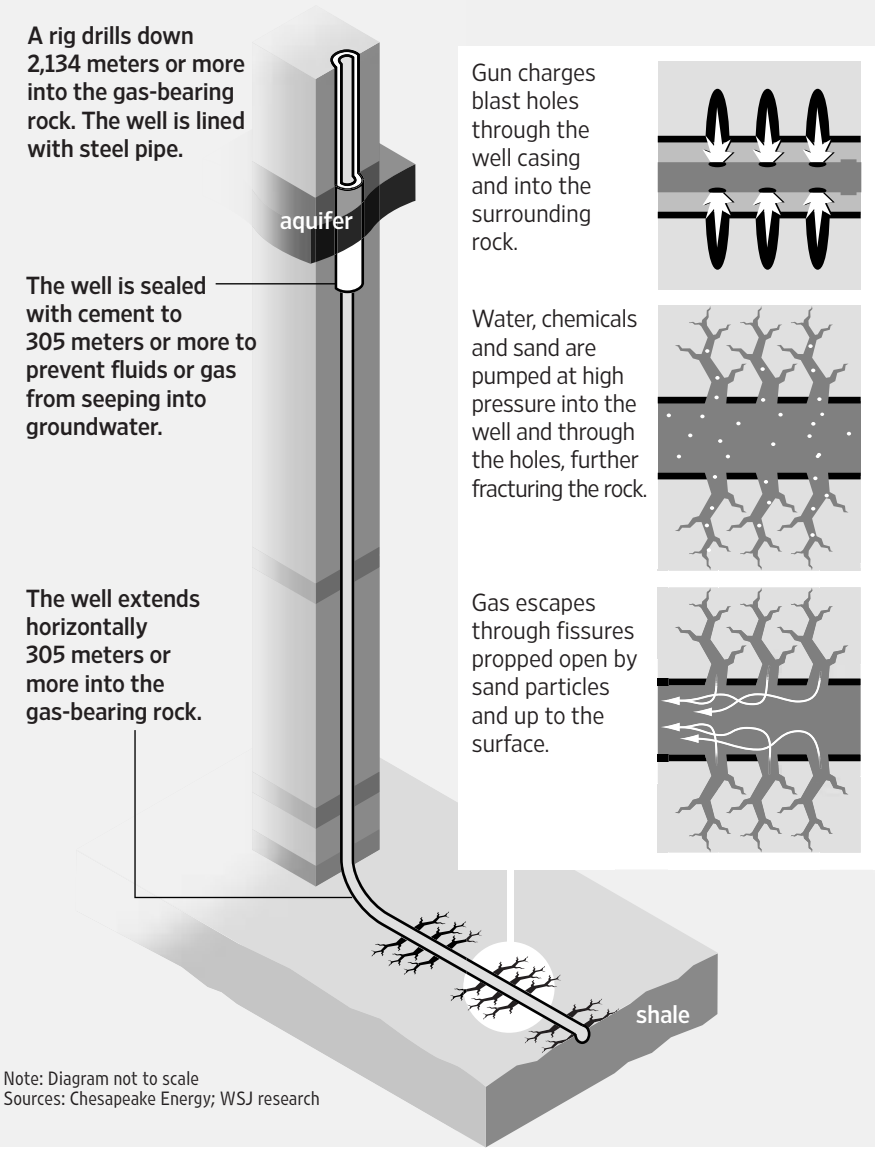
—Siobhan Hughes contributed to this article.

People in New York City protesting the state's plan for shale oil drilling on Jan. 4.

Reuters

Fracking at a glance

In recent years, companies have used hydraulic fracturing to open huge reserves of natural gas that were previously trapped in dense rock formations. A look at how it works:


A rig drills down 2,134 meters or more into the gas-bearing rock. The well is lined with steel pipe.
aquifer
The well is sealed with cement to 305 meters or more to prevent fluids or gas from seeping into groundwater.
The well extends horizontally 305 meters or more into the gas-bearing rock.
shale
Gun charges blast holes through the well casing and into the surrounding rock.
Water, chemicals and sand are pumped at high pressure into the well and through the holes, further fracturing the rock.
Gas escapes through fissures propped open by sand particles and up to the surface.

Note: Diagram not to scale
Sources: Chesapeake Energy; WSJ research

CELEBRATING 50 YEARS OF UNDERWATER HERITAGE 1960-2010

A PIONEERING VOYAGE TO THE DEEP

In January, 1960, Rolex accompanied the bathyscaphe Trieste on the historic U.S. Navy dive to the Mariana Trench, descending to a depth of 10,916 m (35,800 ft) to reach the ocean floor

LT. DON WALSH U.S. NAVY AND JACQUES PICCARD IN THE BATHYSCAPHE *TRIESTE*

On the morning of January 23, 1960, as the rising sun turned the surface of the Pacific Ocean golden yellow, Swiss oceanographer and engineer Jacques Piccard and United States Navy Lieutenant Don Walsh packed chocolate, nuts and their courage before lowering themselves through the narrow tube and into the cabin of the *Trieste*. Unaware that they were about to make history, or what might await them at the bottom of the ocean, Piccard and Walsh watched as assistant Giuseppe Buono closed the heavy cabin door from above and all daylight disappeared. While Buono opened the air vents from topside, the crew bolted it shut from the inside and their adventure began.

After purchasing the vessel, and organising and financing the entire endeavour, the U.S. Navy then spent nine months preparing the *Trieste* and her team to participate in Project Nekton, a series of scientifically conducted deep dives carried out near the island of Guam in the Western Pacific. According to a U.S. Navy press release, Nekton was a high-level undertaking intended to provide "scientific knowledge of sunlight penetration, underwater visibility, transmission of man-made sounds, and marine geological studies". Strapped to the outside of the *Trieste* was a Rolex "Deep Sea Special", the most advanced in a series of prototypes designed to withstand pressure that no human could ever survive. Together, the Rolex and the *Trieste* descended into uncharted waters.

Engineered to explore the approximately 71 per cent of the Earth's surface that is covered by water, the bathyscaphe was a design of simple genius. Auguste Piccard, Jacques' father and the brilliant and inquisitive inventor of the bathyscaphe, was fond of stating that he firmly believed "the first answer is never the right answer". When the Piccards began to test the *Trieste* in 1953, the engineers at Rolex had been on their own quest for perfection for decades and were equally eager to embark on the bold series of missions that were to come. The participation of the U.S. Navy allowed Professor Piccard to put his creation into action and realise his dream of the ultimate underwater exploratory mission.

Rolex was present in 1953 when the *Trieste* was first launched, allowing the Swiss watch company to gain enormous experience and knowledge from the close collaboration in the years that followed. In tandem with dives undertaken by the *Trieste*, Rolex carried out rigorous testing of the second version of its Deep Sea Special. In August, 1953, the *Trieste*, with the Deep Sea Special strapped to the outside, descended to 1,080 metres (approximately 3,543 feet), and then to 3,150 metres (approximately 10,334 feet) later the same year, finally reaching 3,700 metres (approximately 12,138 feet) in 1956.

In early 1958, the U.S. Navy purchased the *Trieste* from the Piccards; Jacques was hired as a consultant to train personnel to maintain and operate it. The sphere of the *Trieste* – originally designed to withstand pressure at 6,000 metres (approximately 19,684 feet) – was then enlarged and perfected to withstand 11,000 metres (approximately 36,088 feet) of pressure. In all, the *Trieste* carried out 64 dives before the submersible and her crew were ready for the ultimate test.

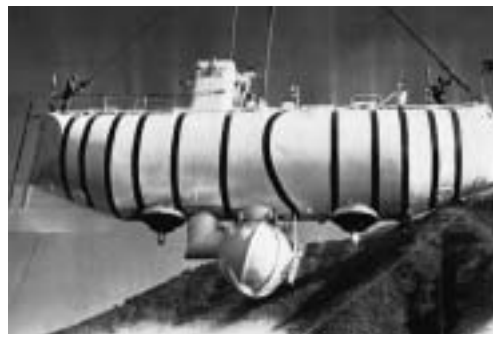
PRESIDENT EISENHOWER, JACQUES PICCARD AND DON WALSH, FEBRUARY, 1960: WHITE HOUSE AWARDS CEREMONY FOLLOWING THE DIVE ON JANUARY 23, 1960

In jarringly rough seas on January 23, 1960, and with Piccard at his side, Walsh piloted the *Trieste* towards the silent darkness of the Mariana Trench. At almost 11 kilometres (approximately 6.8 miles) below sea level, the area known as the Challenger Deep was believed to be inhospitable to any life form, harbouring only skeletons. While the approximate location of the Earth's deepest depression was known, the exact coordinates of the trench were not. Dynamite charges and sound propagation calculations were used to decipher the exact location some 320 kilometres (approximately 200 miles) off the island of Guam.

TELEGRAM HERALDING THE SUCCESS OF THE DEEP SEA SPECIAL DURING THE *TRIESTE* DIVE

At 10,916 metres (35,800 feet), the pressure is roughly eight tons per square inch. To the surprise of the crew and, later, to the entire international scientific community, Walsh and Piccard witnessed – with the help of light provided by the bathyscaphe's mercury vapour lamps – something no man had seen: marine life at the very bottom of the ocean. When the *Trieste* surfaced nearly nine hours later, it became the first vessel – manned or unmanned – to reach the deepest part of the Earth's oceans. The record, set half a century ago, remains unequalled by any manned vessel to this day.

On January 25, 1960, a telegram arrived at the Rolex headquarters in Geneva. It read: "Happy to announce that your watch works as well at 11,000 metres as it does on the surface". It was signed, Jacques Piccard.



THE U.S. NAVY BATHYSCAPHE *TRIESTE*

Ever since Rolex founder Hans Wilsdorf named the first waterproof wristwatch the "Oyster" in 1926, Rolex has been studying the tools needed by professionals in extreme conditions. The Deep Sea Special was developed to demonstrate the efficiency of the waterproof Oyster. Direct descendants of the Deep Sea Special, the Submariner (launched in 1953) and the Sea-Dweller (launched in 1967), enabled, for the first time, those working in fields other than those dedicated to science and research to understand the technical marvel Rolex had produced. Both models became indispensable equipment for serious underwater exploration such as that undertaken by the professional divers of COMEX, the French dive specialists with whom Rolex worked to perfect their underwater watches. The *Trieste* dive made Rolex watches a part of the collective, professional consciousness, and scientists have regularly relied on them ever since.

Rolex has continually encouraged the world's foremost scientists in their explorations, enjoying long relationships with some of the best-known ocean pioneers in the world. Jacques-Yves Cousteau, the maverick undersea explorer, was an internationally known champion of the seas. Like him, Sylvia Earle, the intrepid U.S. marine biologist, understands the importance of exploration to man's very survival on this planet. "We are dependent on the natural systems that sustain us. If we take care of the ocean and the rest of the natural world, we're really taking care of ourselves." With over 7,000 hours underwater, Dr. Earle's experience is an invaluable contribution to the vital task of education.

The quest for perfection has been the driving force at the heart of every technological advance made by Rolex for more than 100 years. In the preceding century, it became clear that this knowledge and determination could also be put towards actions that would make the planet a better place for future generations. As such, Rolex has a long history of supporting endeavours to maintain the delicate equilibrium that exists between man and animal, and to preserving the Earth's natural resources. Today, technicians and engineers at Rolex quietly continue to perfect tools to withstand the most challenging environments – whether they are on this planet or, some day, on another.

SPECIAL PROMOTION

A UNIQUE SCIENTIFIC MISSION LED MAN TO THE DEEPEST TRENCH IN THE OCEAN AND A RECORD STILL UNMATCHED TODAY

En souvenir d'une plongée de 8 h 35'
à 10 · 914 m, à bord du TRIESTE,
avec une Rolex à l'intérieur de la
cabine ... et une à l'extérieur.
Jacques Piccard
23 I 1960 -

A TRIUMPHANT JACQUES PICCARD BACK ON THE SURFACE AFTER THE HISTORIC DEEP DIVE IN 1960

HISTORY OF ROLEX DIVING WATCHES (1953-2010):

■ 1953:
LAUNCH OF THE FIRST SUBMARINER. THE WATCH, EQUIPPED WITH THE NEW, PATENTED TWINLOCK SYSTEM, IS WATERPROOF TO 100 METRES. LATER ON THAT SAME YEAR, THE SUBMARINER COULD ALREADY BE WORN TO THE ASTOUNDING DEPTH OF 200 METRES.

■ 1954:
THE SUBMARINER IS UNVEILED AT THE BASEL FAIR IN THE SPRING.

■ 1960s:
ROLEX SUPPLIES FRENCH ELITE DIVING COMPANY COMEX WITH SUBMARINER AND SEA-DWELLER MODELS FOR USE BY ITS SPECIALIST DIVERS.

■ 1967:
THE SEA-DWELLER, EQUIPPED WITH A GRADUATED, ROTATABLE BEZEL AND ITS PATENTED HELIUM ESCAPE VALVE, IS LAUNCHED AND REACHES A DEPTH OF 610 METRES.

■ 1970:
CREATION OF THE TRIPLOCK SYSTEM. ROLEX FIXES A THIRD GASKET TO THE INSIDE TUBE OF THE CROWN. THE SEA-DWELLER 2000 IS NOW EQUIPPED WITH THE TRIPLOCK CROWN.

■ 1978:
BIRTH OF THE SEA-DWELLER 4000, WHICH CAN REACH A DEPTH OF 1,220 METRES.

■ 1979:
THE SUBMARINER REACHES A DEPTH OF 300 METRES.

■ 2003:
A SPECIAL 50TH ANNIVERSARY EDITION OF THE SUBMARINER, FITTED WITH A GREEN BEZEL, CELEBRATES THE LAUNCH OF THE FIRST SUBMARINER.

■ 2008:
BIRTH OF THE ROLEX DEEPSEA. EQUIPPED WITH THE NEW, PATENTED RINGLOCK SYSTEM, THIS NEW GENERATION DIVER'S WATCH CAN WITHSTAND DEPTHS OF UP TO 3,900 METRES.

KEY DATES OF THE ROLEX DEEP SEA SPECIAL:

■ 1950:
ROLEX PRODUCES A WATCH TECHNICALLY IDENTICAL TO THE ORIGINAL OYSTER BUT WITH LARGER FEATURES INTENDED TO RESIST THE INTENSE PRESSURE FOUND AT GREAT DEPTHS. THE FIRST PROTOTYPE OF THE DEEP SEA SPECIAL IS SUCCESSFULLY DEPTH-TESTED BY EXPERT DIVERS.

AT THE BEGINNING OF THE 1950S, ROLEX IS IN THE FINAL STAGES OF PERFECTING THE DIVING WATCH. IN THE INTEREST OF DEMONSTRATING THE ASTOUNDING EFFICIENCY OF ITS WATERPROOF WATCH AT GREAT DEPTHS AND UNDER TREMENDOUS PRESSURE, ROLEX BEGINS TO WORK WITH SWISS INVENTOR AUGUSTE PICCARD.

■ 1953:
IN TANDEM WITH DIVES CARRIED OUT BY THE *TRIESTE*, A SECOND VERSION OF THE DEEP SEA SPECIAL — EVEN MORE SOLID AND ROBUST THAN THE FIRST — IS STRAPPED TO THE OUTSIDE OF THE BATHYSCAPHE AND SUCCESSFULLY TESTED AT 1,080 METRES. IT IS SUBMERGED TO 3,150 METRES LATER THE SAME YEAR. WHEN NOT BEING TESTED, THE WATCH IS STORED IN A SPECIALLY MADE WOODEN BOX, WITH AN INSTRUCTION SHEET DETAILING HOW TO WIND AND SET THE WATCH TACKED TO THE INSIDE OF THE LID.

■ 1956:
THE SAME PROTOTYPE FINALLY REACHES A DEPTH OF 3,700 METRES DURING A NEW DIVE OF THE *TRIESTE*.

■ 1960:
USING THE KNOWLEDGE GAINED FROM MAKING THE FIRST TWO MODELS, THE THIRD DEEP SEA SPECIAL IS CREATED TO WITHSTAND THE MOST EXTREME CONDITIONS. THIS IS THE WATCH THAT, WHEN STRAPPED TO THE BATHYSCAPHE *TRIESTE*, IS FOUND TO BE IN PERFECT WORKING ORDER AFTER REACHING THE CHALLENGER DEEP PORTION OF THE MARIANA TRENCH, 10,916 METRES BELOW THE SURFACE OF THE SEA.

THE 1960 DEEP SEA SPECIAL

ROLEX
ROLEX.COM

FROM PAGE ONE

A second look at China's GDP rank

Japan holds No. 2 spot for now, but Beijing's 2008 revision may have pushed it ahead; it's all in the measure

By Andrew Batson

Ever since China surpassed Germany to become the world's third-largest national economy in 2007, the next milestone has loomed: China's fast growth means that at some point soon, it will surpass Japan as the second-largest economy behind the U.S.

According to the latest International Monetary Fund forecasts, that milestone was likely to be reached at the end of 2010. But then China revised up its figure for 2008 gross domestic product, after its economic census uncovered previously uncounted activity in the service sector.

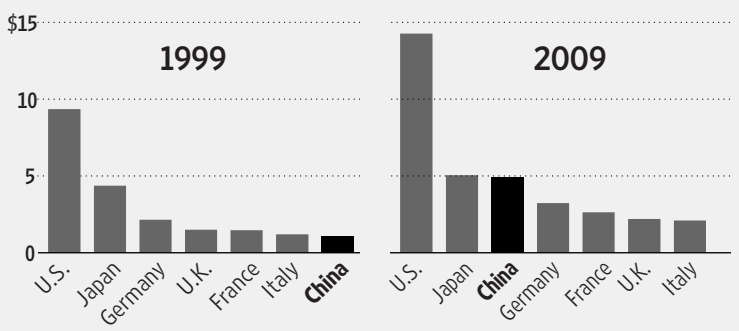
That revision, which increased the size of the economy by about 4.5% from previous estimates, left China even closer to the mark. And with China's economic data for 2009 out Thursday, one frequently asked question is whether it did in fact surpass Japan as the second-largest national economy in U.S. dollar terms.

It is too early to say with any certainty, because Japan doesn't release its complete data for 2009 until next month. But initial indications are: no.

Top ranking

How China compares to the world's biggest economies in the past decade

Annual GDP in trillions of U.S. dollars



Note: All 2009 numbers except China's are IMF forecasts from October
Source: International Monetary Fund

Here is what the numbers look like: The International Monetary Fund, in its latest World Economic Outlook from October, forecast Japan's annual economic output for 2009, in U.S. dollars at market exchange rates, at $5.049 trillion. (These comparisons are traditionally made in terms of each country's annual economic output, converted into U.S. dollars at market exchange rates. The annual figures for most economies are more complete and less volatile than quarterly GDP numbers.)

The IMF had also estimated that China's GDP for 2009 would be $4.758 trillion, well short of Japan's figure. But China's National Bureau of Statistics said Thursday that its GDP in 2009 totaled 33.535 trillion yuan—a final figure that takes into account the 2008 revisions. At the average exchange rate for the year of 6.831 yuan to the dollar, that is equivalent to $4.909 trillion —bigger than the IMF's forecast but still quite a bit smaller than Japan.

Slower-than-expected growth in Japan at the end of the year could still change the outcome—and the nation has already revised down its third-quarter GDP growth figure to a 1.3% annualized pace from the initial reading of a 4.8% expansion.

But there is no sign China is particularly eager to claim the title of the world's second-largest economy. Asked at Thursday's news conference whether China was really No. 2, Ma Jiantang, the head of China's National Bureau of Statistics, said it wasn't his job to compile rankings in the world economy, and played down the significance of the whole issue.

"As to where China's GDP last year ranks in the world economy, experts and scholars, including friends here, can do their own research," he said. "Regardless of where China's economic output ranks, there is still one basic fact: that our per-capita GDP is behind 100th place. We have a large population, a weak economic foundation, relatively few resources, and many poor people. This is China's actual situation.

"We can see that China's economic output and economic strength are continuously increasing, but we can also see that China is still a developing country. We should have a very clear understanding of this," Mr. Ma said.

There is, of course, more than one way to rank the world's economies. If one considers the European Union as a single economy, for instance, then it would rank as by far the largest in the world, and China would still be in third place behind the U.S. for decades to come.

Then again, if one measures the size of economies not by market exchanges but by purchasing-power parity, China has been the world's second-largest economy behind the U.S. since 2001, according to the IMF's figures.

Those calculations attempt to look past the swings in market exchange rates as well as correct for the difference in prices between rich and poor countries.

However, the use of purchasing-power parity is better to gauge incomes and living standards. It works less well as a measure of economic influence, since goods in the real world have to be paid for with currencies at actual exchange rates.

China's strong economic growth puts pressure on Beijing

Continued from first page

guiding money-market interest rates higher and recently raised the amount of deposits that banks must keep on reserve, effectively making the funds unavailable for lending. It also said it will direct banks to balance out their lending through the year.

Still, the steps so far have been modest, as officials remain worried about the downside risks to growth. Mr. Ma said the industrial capacity utilization rate, at 81.5% in the fourth quarter, remains lower than 84% in the first three quarters of 2008—an indication that the economy is still not operating at full potential. That excess capacity and a large grain harvest will help temper the risk of inflation, he said.

But Goldman Sachs economists Song Yu and Helen Qiao said in a research note after Thursday's data that "further policy tightening measures over and beyond what have already been implemented are needed in order control inflation in the coming months."

In another move to slow bank lending, the central bank on Thursday raised the yield on three-month bills that it sells to financial institutions, making it more attractive for the firms to hold the securities rather than extend loans.

The banking regulator said Wednesday it expects a substantial drop in new yuan lending this year to about 7.5 trillion yuan, while a person familiar with the matter said Bank of China Ltd., one of the nation's Big Four banks, has ordered its credit officials to halt any new yuan loans due to overly fast lending growth so far in January.

Also, a commercial bank's memo based on a meeting between the People's Bank of China and major Chinese lenders on Monday indicates the central bank is addressing a surge in lending so far in January.

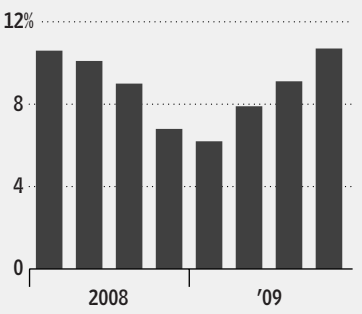
According to the memo, obtained by a bank executive from a meeting participant, the central bank will immediately begin raising reserve requirements for some banks based on lending in the first two weeks of this month.

The meeting was led by Zhang Xiaohui, the director of the monetary policy department of the People's Bank of China, and included officials from China's four biggest banks and several stockholding banks, according to the memo.

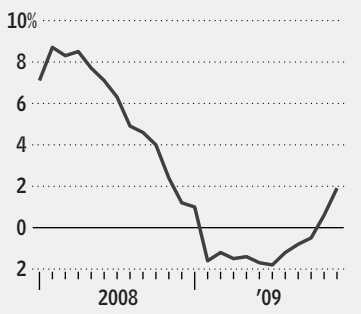
Asked about the contents of the memo Thursday, an official in the news department of the PBOC declined to comment.

China's growing pains

GDP
Change from a year earlier



Consumer-price index
Change from a year earlier



GDP note: Data for 2008 don't reflect latest revisions
Source: China's National Bureau of Statistics

Mr. Ma reiterated the stance the government has had since November 2008: China would maintain an "active" fiscal policy and a "moderately loose" monetary policy, adding that uncertainties linger in the domestic economy and the basis for a global recovery remains "relatively weak."

Royal Bank of Canada Capital Markets senior strategist Brian Jackson said in a research note "we continue to expect rate hikes and yuan appreciation over 2010, with the first moves likely as soon as sometime this quarter."

The strong growth rates in the data issued Thursday are consistent with a recovery in December's exports, which returned to growth after 13 months of declines.

China's industrial production grew 18.5% in December from a year earlier, a slower pace than November's 19.2% rise, Thursday's data also showed. Fixed-asset investment in China's urban areas rose 30.5% in 2009, slowing from the 32.1% rise in the January-November period.

The statistics bureau also said China's economy grew faster than initially reported in the first and third quarters of last year. It said third-quarter GDP grew 9.1%, faster than the 8.9% growth the statistics agency reported in October. The bureau said GDP grew 6.2% in the first quarter, higher than the 6.1% originally reported.

—Liu Li and Aaron Back contributed to this article.

Goldman profit surges as firm restrains compensation

Continued from first page

net revenues ratio." He went on to say that "despite significant economic headwinds, we are seeing signs of growth."

The bank's earnings of $8.20 a share for the quarter topped the average prediction of $5.20 a share by analysts surveyed by Thomson Reuters. Revenue was $9.62 billion, compared with forecasts of $9.65 billion.

In the year-earlier period, Goldman had a loss of $2.29 billion, or $4.97 a share, on negative revenue of $1.58 billion. The prior-year period ended on Nov. 28, before the company shifted to a different reporting calendar.

Fixed-income trading slowed in the latest quarter after extraordinary profits in the previous three quarters. Revenue from fixed income, currency and commodities was $3.97 billion, down from the $5.99 billion in the third quarter.

But investment-banking revenue moved higher, after falling almost a third in the third quarter. It rose 82% from the previous quarter to $1.64 billion. That was up 58% from a year earlier.

Revenue from principal investments, those made with the firm's own capital, fell to $6.41 billion in the fourth quarter from $10.03 billion in the third quarter. That was up from negative net revenue of $4.36 billion a year earlier.

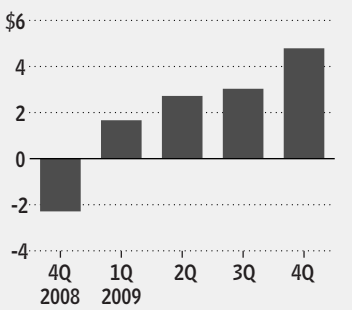
Goldman said that for all of 2009, it had net earnings of $13.39 billion and produced a 22.5% return on average common shareholders' equity. The results propelled the bank further ahead of rivals, many of which have struggled to overcome the credit crisis. Goldman has been able to grab market share while competitors were licking their wounds.

Goldman's chief financial officer, David Viniar, said that the firm had taken the U.K.'s bonus tax "into consideration" when making decisions on compensation. Mr. Viniar said every employee around the world will bear some of the burden of the tax, but he declined to comment on whether employees in London would take a proportionally bigger hit than those in other offices. His comments came after a Sky News report that Goldman plans to impose a bonus cap for London staff. The U.K.'s bonus tax will require firms to pay a one-time 50% levy on all bonuses over £25,000 ($40,700).

—Simon Kennedy contributed to this article.

Goldman Sachs Group

Net profit/loss, in billions



Source: the company

Citigroup wants off the slopes: Ski resort in Japan on the block
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Friday - Sunday, January 22 - 24, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Making new money from old media

Apple's tablet device aims to repackage newspapers and TV

By Yukari Iwatani Kane And Ethan Smith

With the new tablet device that is debuting next week, **Apple** Inc. Chief Executive Steve Jobs is betting he can reshape businesses like textbooks, newspapers and television much the way his iPod revamped the music industry—and expand Apple's influence and revenue as a content middleman.

In developing the device, Apple focused on the role the gadget could play in homes and in classrooms, say people familiar with the situation. The company envisions that the tablet can be shared by multiple family members to read news and check email in homes, these people say.

For classrooms, Apple has been exploring electronic-textbook technology. Apple also has been looking at how content from newspapers and magazines can be presented differently on the tablet, according to the people familiar with the situation. Other people briefed on the device say the tablet will come with a virtual keyboard.

Steve Jobs

Apple has recently been in discussions with book, magazine and newspaper publishers about how they can work together. The company has talked with **New York Times** Co., **Condé Nast Publications** Inc. and HarperCollins Publishers and its owner **News Corp.**, which also owns The Wall Street Journal, over content for the tablet, say people familiar with the talks.

New York Times Chairman Arthur Sulzberger declined to comment in an interview Wednesday on its involvement in the new device except to say, "stay tuned."

Apple is also negotiating with television networks such as **CBS** Corp. and **Walt Disney** Co., which owns ABC, for a monthly TV subscription service, the Journal has reported. Apple is also working with videogame publisher **Electronic Arts** Inc. to show off the tablet's game capabilities, according to one person familiar with the matter.

Apple's strategy contrasts with how other technology companies are approaching media. Notably, **Google** Inc. offers content to consumers largely free on properties like its video-sharing site YouTube, making relatively little distinction between clips from users and those of professional media companies, although YouTube this week said it plans to experiment with movie rentals. Web sites like Twitter and Facebook also provide outlets for user-generated content.

Mr. Jobs has a longstanding strategy of devising new ways to access and pay for quality content, instead of reinventing the content. Apple's iTunes Store, for instance, became the world's largest music retailer partly by making it easy for people to buy music, most of it from major record labels, by the song instead of by the album. Its digital-media receiver Apple TV was also designed so people can buy and rent movies and television shows.

Mr. Jobs is "supportive of the old guard, and [he] looks to help them by giving them new forms of distribution," says a person who has worked with the CEO. "What drives all of these changes is technology, and Apple has an ability to influence that."

Apple's divide with Google over how it views media content also drives the wedge deeper between the two companies. Apple's iPhone, for example, currently closely integrates Google's mapping and search technology, but a person familiar with the matter said Apple was in serious discussions with **Microsoft** Corp. to incorporate its Bing search engine into the iPhone as the default search and map technologies. Microsoft declined to comment.

Details of how Apple charges for the content on its tablet couldn't be learned, but people familiar with the company's thinking say Apple could change conventional payment structures. One person familiar with the matter said the company was discussing with the New York Times how it could charge for news through iTunes. It is unclear how people will access content wirelessly off the tablet.

An Apple spokesman said the company "doesn't comment on rumors and speculation." Mr. Jobs didn't respond to a request for comment.

Mr. Jobs' effort to repackage and resell more media content isn't without obstacles. He already has faced resistance from television companies and cable-network providers over Apple's desire to license just their best content rather than all of it.

Many music executives complain that it has become a powerful gatekeeper between the labels and customers. What's more, the iTunes Store's music downloads haven't grown fast enough to offset the decline in CD sales for music companies.

On Monday, Apple sent out an invitation to a media event on Jan. 27 "to see our latest creation."

The tablet, which Apple currently plans to ship in March, will have about a 10- to 11-inch touch screen, say people familiar with the situation.

Apple's tablet foray faces several obstacles. Analysts say demand will

Please turn to page 19

e-Reader war heats up | The Kindle's competition

Sources: the companies

Amazon.com invites developers to create new uses for Kindle

By Geoffrey A. Fowler

Amazon.com Inc. is showing signs of app envy.

The e-commerce giant says it plans to invite software developers to create programs that would allow its Kindle e-reader device to take on a wider range of uses.

To aid in that process, Amazon will give programmers access to technology and tools to help them build "active content," which it aims to sell in the Kindle store later this year.

Amazon is borrowing a page from **Apple** Inc. and its popular app store for the iPhone. It comes just days before Apple is expected to unveil a tablet computer that is likely to compete directly with the Kindle as a platform for the distribution of electronic books while offering a range of other uses, including music, video and games.

There will be some differences from smartphone app stores that have proliferated over the last two years. For one, the Kindle's screen—based on a technology from E Ink— is black and white, and refreshes too slowly to offer video or motion graphics.

As an example of the potential new uses, Amazon said that **Handmark** Inc. is building a Kindle Zagat guide, which would feature live ratings and reviews. It also said that **Electronic Arts** Inc. would be developing games for the Kindle. Beyond games and live-updated information, the move could open the Kindle to new kinds of book content, such as interactive academic textbooks.

The Seattle-based company avoided using the word "app" in its announcement, preferring to call new uses "active content."

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Baidu still would face hurdles if Google quit China

By Loretta Chao And Aaron Back

BEIJING—If **Google** Inc. closes its Chinese search engine, the biggest beneficiary is likely to be **Baidu** Inc., the search leader here.

But the Chinese company faces challenges to making big gains from a Google retreat, from difficulty developing innovative products to new competition from local rivals.

Baidu is already China's most popular Web site by traffic, and it dominates the country's search market, with nearly 60% of total industry revenue.

Google's share has grown in recent years but still gets only about a third of total revenue. Baidu's share would certainly rise if Google shuts down its Chinese site, as analysts say is likely in the wake of the U.S. company's announcement last week that it was attacked by a hacking operation originating from China and that it will stop obeying government requirements to censor its search results.

Baidu's dominance in a fast-growing market already has made it a darling of global investors. It is one of the most-traded stocks on the Nasdaq Stock Market by volume, ahead of much larger tech giants like eBay Inc. and Dell Inc. The day after Google's Jan. 12 announcement, Baidu shares rose 14%, giving it a market value of $11.3 billion, more than 70 times its estimated 2009 earnings. Google's value is 25 times earnings, according to Thomson Reuters.

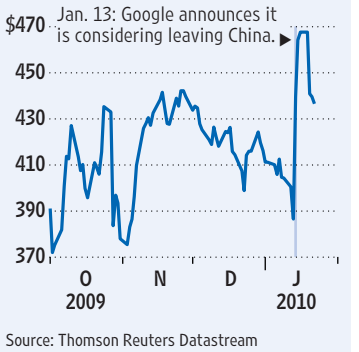
Baidu has built its position mainly by adapting existing products to the needs of Chinese users, rather than through the sort of inventiveness for which Google is famous, such as the Google Earth satellite-mapping application. Chinese-born Chief Executive Robin Li, a Silicon Valley engineer in the 1990s who founded Baidu in 2000, has dismissed what he calls "innovation for innovation's sake." The company, whose name was inspired by an 800-year-old Chinese poem about the search for beauty, attributes most of its success to knowing the Chinese user better than foreign rivals. The company didn't say how it might respond to a possible Google withdrawal.

Chief Financial Officer Jennifer Li said the company will continue focusing on its "core strengths in Chinese search technology." Baidu, she said in an interviews, has become a leader in China because it focuses on "the needs of Chinese search users and providing innova-

Please turn to page 19

Baidu.com

Daily share price, midday in New York: $436.67, down 0.68%



Source: Thomson Reuters Datastream

Hynix swings to profit as prices rise

Semiconductor maker expects sales to grow this year, as results offer further evidence of industry's recovery

By Jung-Ah Lee

SEOUL—Computer-memory-chip maker **Hynix Semiconductor** Inc. on Thursday said it swung to a fourth-quarter net profit thanks to a strong rebound in chip prices, the latest indication that the semiconductor industry is recovering from a two-year slump.

Executives at the world's second-largest maker of computer memory chips by revenue after **Samsung Electronics** Co. gave an upbeat outlook for this year, noting strong demand and limited supply.

Hynix's strong results came after Taiwanese chip makers **Nanya Technology** Corp. and **Inotera Memories** Inc. reported Wednesday that they swung to a profits for the three months ended Dec. 31, after several years of quarterly losses.

"Since the global economy entered a recovery phase, demand for DRAM [dynamic random access memory] chips is expected to grow this year," Hynix Chief Financial Officer Kim Min-chul said.

The results come as the company's creditors seek to sell part of their combined 28% stake in the company, after bidder Hyosung Corp. pulled out in November. Creditors were hoping to receive bids by Jan. 29.

For the three months ended Dec. 31, Hynix posted a net profit of 657 billion South Korean won ($574 million), reversing a net loss of 1.69 trillion won a year earlier. Sales jumped 85% to 2.80 trillion won from 1.51 trillion won a year earlier.

Hynix said the average selling price of DRAM chips, a key component in personal computers, rose 26% in the fourth quarter.

While the company predicted a mid-single-digit percentage decline in the first quarter—a traditionally weak selling season for chips—it expects average selling prices to increase by the mid-single digits for the full year.

Mr. Kim said with most capital expenditures by major chip makers expected to be spent on upgrading production facilities, global supply and demand for DRAM chips will likely be balanced in 2010.

Hynix expects DRAM bit growth—a measure of volume growth—of 40% to 50% this year, and the company expects to exceed this level. For NAND chips, industry bit growth will likely be 80% to 90% and Hynix may outpace or meet that percentage, it said.

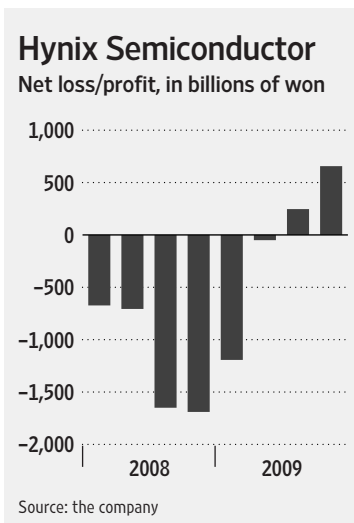
Analysts also are optimistic about the DRAM industry's outlook, noting rapidly increasing demand for chips used in PCs and smart phones.

"Despite traditionally weak seasonality in the first quarter, Hynix is expected to perform well due to likely brisk sales of PCs ahead of the Chinese New Year and stable chip prices," said Benjamin Ban, an analyst at Daishin Securities.

PC shipments will likely rise 13% in 2010, Mr. Ban said.

For 2009, Hynix's consolidated net loss narrowed to 333 billion won from 4.75 trillion won a year earlier. Sales rose 16% to 7.91 trillion won from 6.82 trillion won.

—Kyong-Ae Choi contributed to this article.



Agence France-Presse/Getty Images

Executives at the computer memory-chip maker gave an upbeat outlook for this year. Pedestrians walk past the logo of Hynix Semiconductor in Seoul on Thursday.

Microsoft to fix Web browser

By Nick Wingfield And David Crawford

Microsoft Corp. raced to release a fix for a security hole in its Internet Explorer Web browser as the company sought to contain the fallout from governments urging users to switch to competing software.

The Redmond, Wash., company said it was planning to issue a software update for Internet Explorer on Thursday to patch a security vulnerability that could allow hackers to take over a computer that visits Web sites loaded with malicious code. While Internet Explorer has suffered numerous security vulnerabilities over the years, the latest flaw is especially high-profile because it is believed to have been used in attacks on **Google** Inc. and other companies that Google linked to China.

Government agencies in France and Germany responded in recent days by urging users to switch to alternative browsers, at least temporarily, until Microsoft could find a fix for the problem. The Australian government on Jan. 15 also recommended switching Web browsers as one of several precautions users could take to stay safe online.

The recommendations seem to have given Microsoft competitors a boost. On Wednesday, a spokeswoman for Mozilla said daily downloads of its Firefox Web browser in France by Internet Explorer users have doubled to about 80,000 since France issued its recommendation. The change is similar to a rise in downloads that Mozilla and another company, **Opera Software** ASA of Norway, experienced for their browsers in Germany.

A spokesman for Germany's Federal Office for Information Security, Matthias Gärtner, said his agency issued its warning because the agency is required by law to advise German government institutions about computer-security weaknesses.

The decision to recommend users replace Internet Explorer with a temporary replacement browser was made because Microsoft hadn't yet developed a patch to close the weakness in Internet Explorer. It is important to provide users with a solution to close the loophole at the same time as the announcement of a possible computer-security weakness, Mr. Gartner said, because many hackers learn about the weaknesses from such announcements.

Mark Miller, director of Microsoft's Trustworthy Computing initiative, said the company has been "working around the clock to develop and test a security update that will eliminate this problem" and couldn't release a fix for it sooner.

Mr. Miller added that Microsoft is in communication with government agencies around the world about the most recent security issue, as it has been on others in the past. "It does take time to develop a security update," he said. "In this case, we accelerated testing to ensure we could deploy ahead of our usual schedule to help protect customers from an evolving threat landscape."

—Patrick McGroarty in Berlin contributed to this article.

Strike disrupts work at Nokia's Chennai plant

MUMBAI—The Indian unit of mobile handset maker **Nokia** Corp. said Thursday a protest by about 1,200 workers against suspension of some colleagues has disrupted operations at its manufacturing plant.

*By **R. Jai Krishna**, **Dhanya Ann Thoppil** and **Romit Guha***

This is the second incident of labor unrest at the Nokia plant in Chennai, in India's southern state of Tamil Nadu, where the company employs more than 8,000 people. Employees went on strike for 10 hours in August, seeking higher wages.

Nokia India Pvt. Ltd. said it had decided to suspend about 60 workers at the plant, saying they were "reported to have committed acts of serious misconduct."

"The decision was based on facts and evidence that suggest that they were not working in line with certified standing orders as well as values of the company," Nokia said. It didn't provide further details.

Poonam Kaul, a Nokia India spokeswoman, said the protest had disrupted work on some production lines. "We are hopeful that this gets resolved soon." Ms. Kaul said Nokia is using its global production network to meet local demand.

The labor union at the plant differed with the company's statement. "The strike was initiated after one of the employees was shifted to another production line and when questioned, he was moved out of the facility. Following this, the subsequent-shift employees had gone to talk to the company officials, and they were also told to keep away or quit," said Saravana Kumar, joint general secretary of Nokia India Pvt. Ltd. Employees Progressive Union.

Both the union and Nokia India said they approached the labor commissioner in Tamil Nadu to resolve the issue, and that he has posted the case for discussion on Jan. 25.

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Corrections & Amplifications

Customers of Paris liquor distributor La Maison du Whisky's store have spent about €50 to €60, or about $70 to $85, per bottle for Japanese whiskey. A Wealth article Thursday incorrectly converted the euro value as $35 to $42.

EU approves Oracle deal

By John Miller
And Peppi Kiviniemi

BRUSSELS—The European Union's top antitrust enforcer cleared **Oracle** Corp.'s $7.4 billion takeover of **Sun Microsystems** Inc. Thursday after an investigation of nearly six months.

Competition Commissioner Neelie Kroes gave the deal unconditional approval, opening the door for Oracle to close the transaction soon. Russian and Chinese antitrust authorities are expected to follow suit soon, Oracle said in a prepared statement. The U.S. Department of Justice has cleared the acquisition.

As recently as September, Mrs. Kroes's office had been skeptical enough to open an in-depth probe into the deal. Such "second phase" investigations can sometimes spell a deal's death.

The EU's concern surrounded the fate of MySQL, an open-source database program Sun bought for about $1 billion in 2008, and the possibility Oracle could dismantle it to boost its own paid-for programs.

Databases are already a highly concentrated market, with Oracle, **International Business Machines** Corp. and **Microsoft** Corp. controlling 85% of sales by revenue.

Two factors alleviated the concern of the European Commission, the EU's executive arm. First, in December, Oracle pledged to "continue to enhance" development of MySQL. It even promised to publish some programming details and abstain from copyright suits against others who do.

Second, the commission concluded that in most cases Oracle's own programs aren't interchangeable with MySQL, which meant that having them under the same roof isn't a threat to consumers.

"I am now satisfied that competition and innovation will be preserved on all the markets concerned," Mrs. Kroes said Thursday. "Oracle's acquisition of Sun has the potential to revitalize important assets and create new and innovative products."

Associated Press
The EU cleared Oracle's proposed Sun acquisition without conditions.

Oracle also has an interest in developing MySQL to compete with another open-source database, PostgreSQL, a program launched during the 1990s at the University of California, Berkeley, that is a "credible alternative," the commission said in a prepared statement.

Mrs. Kroes has blocked only two mergers during her five-year term, which is to end next month. The former Dutch transport minister and corporate-board member is slated to become commissioner for information technology, pending confirmation by the European Parliament.

Because the EU's approval of the deal is unconditional, it remains unclear how the commission will monitor Oracle's pledges on MySQL.

The commission on Thursday put out only a news release, and must still white out business secrets before publishing its official decision on the case in a few weeks. "We'll have to await the publication of the formal decision to see how the commission has used Oracle's pledges to MySQL customers before we can understand fully how much, if at all, Oracle will be on the hook to fulfill those promises," said David Andersen, an antitrust partner at **Berwin Leighton Paisner LLP** in Brussels.

The deal, which was announced in April, comes at a good time for Sun, which has been unprofitable; its shareholders approved the takeover in June. People close to the companies said the number of job cuts could be in the low thousands. Sun's work force stood at 27,596 at the end of September.

Despite skepticism within the technology industry about Oracle's commitment to the relatively low-margin server business, Oracle has pledged to invest more money in it. "We weren't in the hardware business, now we're diving in with both feet," said Larry Ellison, Oracle's chief executive, in October.

Oracle says it will discuss its plans for Sun on Jan. 27.

—Ben Worthen contributed to this article.

Apple, with tablet device, aims to revamp old media

Continued from page 17

depend on its price, which some believe will be about $1,000. Apple must also convince consumers the product is worth buying in addition to an iPhone and a laptop computer. And Apple faces competition from cheaper netbooks and other devices such as **Amazon.com** Inc.'s Kindle e-book reader.

The tablet's success will depend "on how this product can fit into the user's daily life... and whether you have enough content to make it important enough to use it," said Henry Lu, senior vice president of Taiwanese computer company Micro-Star International Co., which failed at selling a tablet computer a few years ago.

In the academic arena, Apple could face hurdles wooing universities if the tablet doesn't meet their needs or isn't compatible with other computing devices that students are using.

Amazon had been hoping to target the market with its 9.7-inch screen Kindle DX e-book reader, for example, but schools said the device wasn't sufficiently interactive and lacked basics such as page numbers and color graphics.

One person familiar with the matter said Apple has put significant resources into designing and programming the device so that it is intuitive to share. This person said Apple has experimented with the ability to leave virtual sticky notes on the device and for the gadget to automatically recognize individuals via a built-in camera. It is unclear whether these features will be included at launch.

Apple's content-related efforts heated up in the fall. In October, Apple sent representatives to the Frankfurt Book Fair, the industry's largest trade fair, according to one person familiar with the matter.

At the same time, Apple pitched media companies on a "best of TV" subscription service to television networks under which customers would pay a monthly fee for on-demand access to programs from a bundle of participating TV networks, giving consumers another way to readily access television content.

At a meeting in New York with one network in October, an Apple executive said the company was specifically looking to access four to six shows per channel, said one person familiar with the meeting.

Apple also has been planning a revamp of its iTunes music service by creating a Web-based version of it that could launch as soon as June, say people familiar with the matter. Tentatively called iTunes.com, the service would allow customers to buy music without going through the specialized iTunes program on computers and iPhones.

People familiar with Apple's plans say a central part of the new strategy is to populate as many Web sites as possible with "buy" buttons, integrating iTunes transactions into activities like listening to Internet radio and surfing review Web sites.

In November, Apple hired Tracy Augustine, a former executive at textbook publishers Cengage Learning Inc. and Pearson Education Inc., as the director of world-wide education.

Ms. Augustine is responsible for "driving global strategy and revenue for the education online store for students," according to her LinkedIn description.

Ms. Augustine didn't respond to a request for comment.

—Geoffrey A. Fowler and Russell Adams contributed to this article.

Google aside, Baidu faces hurdles

Continued from page 17

tive products tailored for our market," such as online forums.

Thomson Reuters estimates that Baidu's earnings, which more than tripled in two years to 1.05 billion yuan ($153.8 million) in 2008, climbed 39% last year.

With about 7,000 employees, Baidu also is on a hiring binge. Its new seven-story headquarters in Beijing can hold more than 4,700 employees but only has 3,100 now. Baidu executives say they plan to fill the space "very quickly" with new hires. The company has other offices throughout China, including a research-and-development center in Shanghai and a sales office in Guangzhou. Baidu started a Japanese site in 2007 and plans more international expansion.

In addition to its search engine, Baidu's offerings include a popular online forum called Baidu Post Bar, a question-and-answer platform called Baidu Knows, an instant-messaging service and a Wikipedia-like online encyclopedia. Analysts say one of its most popular products is a search service dedicated to music. Record labels have sued Baidu in China, claiming it links to sites with unlicensed songs, but have been unsuccessful in forcing the company to discontinue the practice. Baidu says it shouldn't be held responsible for such links and is in talks with record labels to work out a partnership.

When Baidu unveiled its long-term strategy, it wasn't well-received. Mr. Li last year hailed the concept of "box computing"—in which a Baidu search box could be used for everything from starting other software to doing calculations to finding a girlfriend—would increasingly "be the backbone of future Baidu initiatives." The idea was panned in the Chinese state-run media as vague and largely derivative of Google concepts. "More marketing than breakthrough," a People's Daily headline said.

Baidu also has experienced snags with a major overhaul of its online-advertising system, which it introduced last year following criticism by users and state media that paid ads were too difficult to distinguish from search results. Baidu says the system eventually will let it make more money off searches, but difficulty persuading some clients to migrate to the new system have slowed revenue growth.

In 2008, rumors spread that Baidu accepted payment to remove negative stories about a tainted-milk scandal that affected tens of thousands of children in China. The company denied the allegations, which weren't proved.

While Baidu contends that its products are better-tailored to its home market than Google's, it has a tougher time making that claim against Chinese rivals. **Tencent Holdings** Ltd., whose successful instant-messaging and videogame services have made it China's biggest Internet company by market value, is testing its own search engine.

Baidu also has butted heads with **Alibaba Group**, a Chinese online-commerce company that is much bigger than Baidu by revenue.

Baidu made waves when it announced in 2007 that it would launch an e-commerce platform called Youa, to compete with Alibaba's Taobao. Mr. Li, Baidu's CEO, said search engines were the foundation of online shopping and estimated that about half of Chinese online shoppers would conduct a general Web search before looking for goods on a Web site like Taobao.

Taobao responded by blocking Baidu from searching goods on its site, and Taobao continues to grow at a remarkable pace. As of 2009, Youa had less than 1% of the customer-to-customer e-commerce market by gross value, according to estimates from iResearch, compared with 82% for Taobao.

Baidu is not "an unbeatable foe," says David Wolf, chief executive of Wolf Group Asia, a Beijing-based marketing-strategy firm. "There are other Chinese organizations that...could go after them."

Amazon invites software developers to create new uses for Kindle device

Continued from page 17

Unlike cellphone users, Kindle owners don't pay for the wireless connections on their gadgets; fees for their use of cellular networks is included in the purchase price of the device and digital content.

Kindle active content that uses only a nominal amount of wireless data—less than 100 kilobytes per month—will be sold as a one-time purchase. Other programs will be sold as a monthly subscription. And very small apps—less than 1 megabyte in size—may be offered free of charge.

Revenue from users of the apps would be split, with 70% of the money going to the developer and 30% to Amazon, net of delivery fees of 15 cents per megabyte. That's similar to the revenue split Apple takes with app developers for the iPhone.

The search for new uses for the Kindle marks a shift at the company. Amazon had previously been insistent that it sees the Kindle as a purpose-built device for reading.

"Kindle is capable of offering readers a broad range of content that goes beyond what the book is today," said Drew Herdener, a spokesman for Amazon.

It remains unclear whether app developers will leap into writing code for the Kindle, with competing app stores proliferating on smart phones from Apple, Palm Inc., Google Inc. and others.

Associated Press
Amazon CEO Jeff Bezos with a Kindle

Mr. Herdener said he expected that publishers of newspapers, magazines and textbooks would create active content for the Kindle. "Kindle really does offer a unique experience and has a vast audience of voracious readers," he said.

Amazon has repeatedly declined to say how many Kindles it has sold.

MARKETS

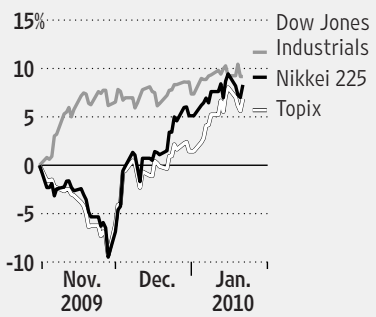
Foreigners snap up Japanese shares

Overseas investors buy in the belief that the Tokyo market hasn't caught up with its global counterparts

By Juro Osawa

Moving up

Index performances since end of October 2009



Sources: Thomson Reuters Datastream, Reuters (photo)

TOKYO—Overseas investors poured into the Japanese share market for the eighth consecutive week last week, data released Thursday showed, highlighting the strong foreign demand for stocks here that helped push Japan's main benchmark to 15-month highs.

Some analysts said Japanese shares might have further room to rise despite the softening domestic economy, probes into the fund-raising activities of top ruling-party officials and the bankruptcy-protection filing this week of Japan Airlines. Many foreigners still think Japanese shares haven't caught up to their global counterparts in reacting to a favorable environment for stocks, they say.

"We expect to see continued inflows from foreigners near-term as investors expect Japan to play catch-up," said Goldman Sachs in a recent report.

Foreigners bought a net 611.9 billion yen ($6.71 billion) of Japanese shares last week, after net purchases of 733.7 billion yen the previous week. The prior week's total was the second largest amount of net buys since the ministry started compiling the data in 2005, according to Ministry of Finance figures.

Recent data suggest foreign demand for Japanese shares was so strong in the last part of 2009 that offshore investors were net buyers for the year as a whole, even though for the first 11 months of the year they had been net sellers amid a deep recession earlier in the year.

Many analysts said the rise was spurred by the perception that Japanese stock prices had fallen too much. The yen's weakening against the dollar also helped, as the stronger yen in the second half of last year made Japan's exports more expensive in other markets. Goldman Sachs cited concerns about monetary tightening in China, leading some investors to move their shares into Japan.

Blue-chip exporters have done especially well. **Toyota Motor** is up 22% since the end of November, closing Thursday at 4,190 yen, while **Sony** is up 37% in the same period, finishing at 3,185 yen Thursday.

The Topix index of First Section issues, which brokerage houses look at when they need a more complete picture of Tokyo share-price moves, has risen 14% since the end of November. The benchmark Nikkei Stock Average of 225 companies has risen 16% in that same time, ending last week at 10,982.10, the highest close since Oct. 2, 2008. The Nikkei rose 1.2% to 10868.41 on Thursday.

Dow Jones Industrial Average has risen 2.5% in that time, and the FTSE 100 increased 4.4%.

Surveys indicate investors are increasing the amount of Japanese shares in their portfolios. The portion of global investors that went overweight on Japanese shares—that is, increased those stocks in their portfolios—rose to 24% this month from 15% last month, while those that went underweight, or decreased their holdings, fell to 34% from 48%, according to survey of fund managers world-wide conducted Jan. 8-14 by Bank of America Merrill Lynch.

After heavy net buying of Japanese stocks in December and early January, foreign investors "are still underweight, and we therefore believe there is still room to buy Japanese stocks," said Masatoshi Kikuchi, equity strategist at BofA Merrill Lynch, in a report on the fund manager survey.

Still, some analysts are skeptical about whether the rally in Japanese shares will continue.

Seiichi Suzuki, market analyst at Tokai Tokyo Securities, said one reason for the foreigner buying of Japanese shares is that investors are unwinding long positions in Chinese stocks and other emerging markets and short positions in Japanese stocks that they have built since last year, on expectations of tighter monetary policy in China.

Japanese ski resort on the block as Citi hunts cash

By Alison Tudor

TOKYO—**Citigroup** Inc. is trying to sell a popular ski resort in northern Japan that it purchased nearly four years ago, the company's latest effort to repay the U.S. government for its bailout, people familiar with the matter said.

Citigroup was initially asking between $70 million and $80 million for the property. That would mark a gain from the $54 million the bank paid in 2006 for a bigger collection of properties that included the resort.

The likely buyer would come from a non-Japanese Asian country, underscoring the recent shift in the tenor of the market, away from one dominated by property funds reliant on bank loans to one led by cash-rich Southeast Asian and Chinese investors eager to secure a foothold in the world's second-largest economy and property market.

"Investors from around Asia are looking to snap up hotels being sold by companies keen to raise capital," said Raymond Clement, the Asia-based broker for service provider CB Richard Ellis Hotels Group. He believes there will be a sharp pickup in deals for Japanese hotels this year, led by Asian investors seeking trophy assets.

Citigroup hired property-services firm **Jones Lang LaSalle** to contact potential buyers about the resort on the island of Hokkaido last autumn. Most of the property funds quickly dropped out because they couldn't raise enough debt. The sale is now in "advanced stages," the people said, though they declined to say whether it had yet been narrowed to one bidder.

Interest from Asian investors in Japanese hotels has picked up in recent years. Singapore-based Park Hotel Group bought the Hilton Otaru in December 2008, also in Hokkaido, and said it wanted to expand in Japan. Although hotel-occupancy rates in Japan were falling, it said it expected Japan to attract more tourists from Southeast Asia.

The trend has been a boon to bankers looking to raise capital. A real-estate fund managed by Morgan Stanley completed the sale of its Crowne Plaza Kobe hotel to Thai Charoen Corp. last year. The hotel was the Thai conglomerate's first business in Japan. Morgan Stanley also sold its Westin Tokyo hotel in 2008 to Singapore's largest sovereign-wealth fund, the **Government of Singapore Investment Corp.**

Citigroup raised about $11 billion last year from Japan by selling assets as diverse as a local brokerage and a call center. Last month, it repaid the U.S. government $20 billion, but Washington remains the company's largest shareholder, with a roughly 27% stake.

The Hokkaido resort has proved a tough sell. Even the big Asian investors are nervous about the direction of property prices, particularly outside Tokyo.

Japan's regions are mostly failing economically, losing population, and property prices are continuing a long slump. National land prices fell in the year to July at the fastest pace in five years, according to government data.

Skiing in Japan grew from the 1970s in step with middle-class incomes, as the young sought a pastime with a chic image. But the ski boom quickly faded as the economy sagged. In recent years, the strong yen has also hit tourism. The number of skiers and snowboarders slipped from a peak of 18.6 million in 1993 to 6.9 million in 2008, according to the Japan Productivity Center, a policy and research group.

A buyer has to be convinced that Citigroup's resort will buck the slow decline of Japan's hinterland. The resort, in an area called Niseko, is dotted with bars, restaurants and live-music venues, a contrast to many other Japanese winter resorts where people often eat in their hotel and go to bed early.

The resort gets an average of 11 meters of snow a year, making it one of the snowiest resorts on earth. Asia's affluent, particularly Australians and more-lately mainland Chinese, started coming more frequently after Sept. 11, 2001, when many wanted to avoid travel to places such as Aspen and Davos.

Citigroup Principal Investments Japan bought seven ski sites, three golf courses and two hotels from Seibu Holdings Inc. for $54 million, according to data provider Dealogic. That included the Hokkaido property now on the market. The deal was signed in June 2006, just when property prices looked to be recovering from the collapse of the bubble of the 1990s. Land prices rose in 2006 for the first time in 16 years.

Competition for assets was intense at the time, fueled by property loans from foreign banks. But then the property market slumped in 2008 as foreign investment banks slashed real-estate lending to preserve capital during the financial crisis. Japanese banks also turned more cautious on property lending as the domestic economy sank into recession. Property developers and construction firms accounted for the greatest number of bankruptcies during the crisis.

ICICI bank profit falls less than expected despite bond losses

By Nupur Acharya

MUMBAI—**ICICI Bank** Ltd., India's largest private-sector bank by assets, said its third-quarter net profit fell 13% as it posted losses on trading in bonds.

Net profit for the October-December period slipped to 11.01 billion rupees ($240.1 million) from 12.72 billion rupees a year earlier, the bank said Thursday.

The profit drop was smaller than expected. The average estimate of 12 analysts in a Dow Jones Newswires poll was for net profit of 10.38 billion rupees.

The bank's net interest income—the difference between interest earned and interest paid—rose 3.4% to 20.58 billion rupees from 19.90 billion rupees as signs of economic recovery boosted demand for loans and reduced its cost of funds.

"Home loans and auto loans will continue to grow in a robust manner even in this quarter [January-March]," Managing Director and Chief Executive Chanda Kochhar told reporters at a post-earnings conference call.

"Project loan disbursements will only gradually pick up by the next quarter [April-June]," she added.

The bank's other income—which includes treasury gains, fees and commissions—plunged more than 33% to 16.73 billion rupees. Fee income grew a modest 5.6% to 14.22 billion rupees.

The bank suffered a loss of 260 million rupees in its treasury operations, compared with gains of 9.76 billion rupees a year earlier.

Indian lenders are seeing a trend of gains from other income wearing off as bond yields adjust to expectations of an increase in interest rates in coming months.

The bank's net interest margin improved to 2.6% from 2.4% a year earlier as the lender increased the share of low-cost deposits to 39.6% of total deposits of 1.98 trillion rupees.

Competition hurts LSE

Revenue falls, but exchange operator sees chance of more IPOs

By Vladimir Guevarra

LONDON—**London Stock Exchange Group** PLC posted a milder-than-expected 9% fall in third-quarter revenue as its share of equity trading was hit by increasing competition.

The exchange operator said Thursday that the current quarter remains challenging but it sees potential for more initial public offerings in 2010 than last year.

The group, which operates the London Stock Exchange and Italy's Borsa Italiana, recorded revenue in the October to December period of £154.9 million ($252.3 million), down from £169.4 million in the same period a year ago.

Xavier Rolet

The result was higher than the average £149.9 million in revenue analysts had expected.

LSE Chief Executive Officer Xavier Rolet said market conditions weren't easy in the last quarter, particularly in cash equities, "though the group has benefited from the breadth of its activities."

There was a good performance in LSE's primary markets and fixed-income trading, and its Information and Technology Services division was resilient, Mr. Rolet said. "Market conditions are expected to remain testing in the current quarter."

The LSE, facing competition from newer pan-European trading platforms like Chi-X Europe Ltd, BATS Europe and Nasdaq OMX Europe, has seen its share of trading of FTSE 100 stocks fall to 64% in December 2009 from around 78% in December 2008, based on data from Thomson Reuters.

Over the same period, Chi-X, the most successful among the so-called multilateral trading facilities. saw its share of FTSE 100 trading rise to more than 21% from 13.2%.

In the third quarter, LSE's capital-markets business, its biggest, saw a 13% fall in revenue to £69.9 million from the previous year.

Post-trade services also had a 13% fall in revenue to £29.1 million, while revenue from the IT Services unit grew 3% to £55.4 million.

Earlier this month, the LSE said its average number of equity trades in December fell to 640,169 a day, an 18% decline from December 2008. Meanwhile, the average traded value fell 6% to £5.2 billion a day.

In the face of rising competition, the LSE has been under pressure to lower fees to retain large-value trades, which in turn could eat into its revenue. With Mr. Rolet at the helm of the company since last year, the LSE is investing in new technology and is looking at ways to cut costs, becoming a leaner organization with a more diversified business to regain some of its market share.

In December, the LSE said it bought a stake in Turquoise, a trading facility which it has been competing with over the past year, and said it will be merged with LSE's Baikal dark-pool trading unit.

To help cut costs and earn more money, the LSE said it will sublease surplus space at its Paternoster Square office in London, providing £3 million annual income in the next financial year.

Arden Partners analyst Sarah Spikes said LSE shares are "deeply undervalued" compared with her target price of 1,000 pence. Ms. Spikes said the stock's current valuation "fails to reflect potential and ongoing growth" in post-trade services, derivatives and fixed income. Further cost cutting is also likely, she said.

Shares were flat at 696.50 pence Thursday in London.

Hong Leong bids for EON

DEALS & DEAL MAKERS

By K.P. Lee
And Elffie Chew

KUALA LUMPUR—**Hong Leong Bank** Bhd., Malaysia's sixth-largest lender, offered to buy smaller rival **EON Capital** Bhd. for 4.92 billion ringgit ($1.46 billion) in a bid to create the country's fourth-largest banking group.

Hong Leong Bank said in a stock exchange filing that it plans to pay the equivalent of 7.10 ringgit for each EON Capital share for the assets and liabilities of the company. EON Capital is the holding company of EON Bank Bhd., Malaysia's seventh largest lender by assets.

Hong Leong Bank said the offer price of represents a premium of 31.5% to the 180-day volume weighted average price of EON Capital shares as of Dec. 16. Malaysia's central bank on Dec. 17 approved the start of deal talks. Hong Leong Bank has since held talks with various shareholders of EON Capital, including state-owned investment firm Khazanah Nasional Bhd.

EON Capital's shares fell 0.4% Thursday to 7.10 ringgit.

Analysts said the pricing for the shares at 1.4 times price-to-book ratio was at the lower end of market expectations ranging from 1.4 times and 1.6 times.

"We are of the view that pricing for the proposed takeover may not include a substantial premium [over market price] as [Hong Leong's major shareholder, Malaysian businessman] Quek Leng Chan...would aim for good bargains when making acquisitions," said Affin Investment analyst Tan Ei Leen.

The analyst had earlier forecast an offer price of seven ringgit to 7.5 ringgit for each EON Capital share.

Hong Leong Bank director Raymond Choong said the proposed merger will create an enlarged banking franchise with "significant size and reach" in Malaysia and regionally.

"The operating environment is becoming increasingly competitive, and with the introduction of higher standards post the recent global financial crisis, it is essential for local financial institutions to have strong capital and greater breadth and depth in order to continue remaining relevant," he said.

He added that the combined entity will have a network of 320 branches and close to 1,200 self-service terminals.

The company didn't give a forecast for potential synergies or mention job cuts.

Hong Leong Bank said EON Capital's board must reply in seven days on whether it agrees to proceed with the deal.

EON Capital said separately that it received Hong Leong Bank's offer and that it would comment further after reviewing the proposal.

AXA unit raises 2009 profit estimate

By Ross Kelly
And Alex Wilson

SYDNEY—Takeover target **AXA Asia Pacific Holdings** Ltd. raised its earnings expectations for 2009 Thursday, potentially lifting the bar for any new offers.

The company, majority-owned by French insurer **AXA** SA but controlled by an independent board, has received a 13.3 billion Australian dollar ($12.08 billion) all-cash bid from **National Australia Bank** Ltd. That offer so far trumps a bid by rival **AMP** Ltd. that last month valued the whole company at A$12.85 billion in cash and stock. In two weeks, an exclusivity agreement locking its French parent into takeover talks with AMP is due to expire.

Like AMP's bid, NAB's proposal is contingent on AXA buying the Asian operations of AXA Asia Pacific and leaving its Australian and New Zealand units to the successful local bidder.

AXA Asia Pacific said in a filing with the Australian Securities Exchange on Thursday that it expects its 2009 annual net profit after non-recurring items to beat analysts' expectations by coming in at A$675 million, swinging from a loss of A$278.7 million in 2008.

The average of five analysts' forecasts compiled by Dow Jones Newswires was for a profit of A$559.2 million. Credit Suisse analyst Arjan van Veen said it is difficult to tell from the forecast where exactly the profit growth is coming from. "If it's all from recurring drivers, then NAB and AMP will be able to justify paying a bit more," he said.

AXA Asia Pacific said its guidance included total group operating earnings of about A$550 million, investment earnings of A$185 million and one-off gains of A$57 million. The gains included a profit on the sale of half of the wealth management group's interests in India.

SEC seeks to add Galleon allegations

By Chad Bray

NEW YORK—The Securities and Exchange Commission asked a court for permission to add new allegations against **Galleon Group** founder Raj Rajaratnam that he paid a former **McKinsey** & Co. partner more than $1 million for inside tips about McKinsey clients.

The SEC asked U.S. District Judge Jed S. Rakoff for permission to file a second amended complaint in a civil insider-trading case against Mr. Rajaratnam, his hedge-fund firm and 14 other individuals.

The SEC is seeking to include allegations that Mr. Rajaratnam paid Anil Kumar, a former senior partner at the consulting firm, between $1.75 million and $2 million for inside information about McKinsey clients between 2003 and 2009.

The tips allegedly included **Advanced Micro Devices** Inc.'s plans to acquire **ATI Technologies** in 2006, the SEC said. Mr. Rajaratnam allegedly generated more than $19 million for Galleon by trading ATI stock as a result of the tip, the SEC said.

Mr. Kumar, 51 years old, pleaded guilty to conspiracy and securities fraud earlier this month and has agreed to cooperate in a separate criminal case against Mr. Rajaratnam.

At his plea, Mr. Kumar said he was paid by Mr. Rajaratnam for material, nonpublic information, including tips about the AMD-ATI deal.

The SEC also is seeking to add a new civil claim against Mr. Kumar.

Prosecutors from the U.S. Attorney's office in Manhattan have separately alleged that Mr. Rajaratnam was at the center of an insider-trading ring that generated millions of dollars in improper trades.

Bloomberg News

Raj Rajaratnam

The prosecutors have indicated they intend to file additional charges against Mr. Rajaratnam, including charges related to the Kumar admission.

At a hearing last week, prosecutors said they believe the improper gains attributable to Mr. Rajaratnam could exceed $50 million.

John Dowd, Mr. Rajaratnam's lawyer, has called Mr. Kumar's statements a "false accusation" and said Mr. Rajaratnam will plead not guilty if a superseding indictment is filed. Mr. Dowd has said an analyst's prediction that AMD would acquire ATI was "widely reported" in the media seven weeks before the deal was announced publicly.

In total, 21 people have been charged criminally in the inquiry, including seven who have pleaded guilty to criminal charges and are cooperating with the government.

More banks will share pain of U.K. bonus tax

By Sara Schaefer Muñoz

LONDON—**Morgan Stanley** was the latest bank to indicate it would reduce compensation awards across its global work force as a result of a new U.K. tax on bonuses, although the pain may not be felt until next year.

Bank of America Corp., too, could reduce its global bonus pool for 2010 to offset the tax, according to one idea under consideration, but won't make any decision until later this year or the next, said people close to the situation. These people said the tax could be considered a 2010 expense, and expenditures would be adjusted to offset it.

The bonus tax created a furor in the industry when it was unveiled by Prime Minister Gordon Brown's Labour party last month. Banks, not employees, are responsible for paying the tax, which is 50% of the portion of any bonus above £25,000 ($40,716).

Banks have until Aug. 31 to pay the tax.

Colm Kelleher, Morgan Stanley's co-president of institutional securities, said on a conference call Wednesday that the bank "considered the impact of the U.K. bonus tax on 2009 compensation levels, and since the legislation has not been finalized, we see this largely as a 2010 event."

He added that "the tax will be shared significantly by employees globally."

On Tuesday, **Credit Suisse** AG said it will cut its global bonus pool by 5%, and the awards for managing directors in the London office by an additional 30%.

Other major banks operating in London had considered simply absorbing the cost of the tax and paying out bonuses as usual in order to remain competitive.

Some said they would rather spread the pain among all employees than force London bankers to bear the brunt, fearing divisiveness within the firm.

In its fourth-quarter results last week, **J.P. Morgan Chase** & Co. said it offset part of the tax from its investment-banking bonus pool but gave no further details.

Goldman Sachs Group's Chief Financial Officer David Viniar told journalists on a conference call Thursday that the firm had attempted to "show restraint" with its compensation plans and minimize the impact of the tax, while being fair to both employees and shareholders.

Mr. Viniar said all employees around the world will bear some of the burden of the tax, but he declined to comment on whether U.K. employees would take a proportionally bigger hit.

Global-economy fears give the dollar a boost

By Fabio Alves

NEW YORK—The dollar strengthened against most rivals on the back of a slump in U.S. stocks, concerns about the euro zone's credit problems and speculation that China may tighten monetary policy.

The rally in the U.S. currency got a boost after the Dow Jones Industrial Average stumbled more than 160 points. Oil, gold and other metal prices are sharply lower.

CURRENCY MARKETS

A wave of risk aversion washed over markets as U.S. stocks swung to a sharp loss, sending investors strongly into the safe-haven dollar, said John McCarthy, manager of currency trading at ING Capital Markets in New York. "That is bringing risk off the table," benefiting the dollar and yen, Mr. McCarthy said.

As stocks and commodities prices tumbled, the euro sank below 128 yen, the lowest intraday level in more than a month. The Japanese currency hit intraday highs against the dollar, as the flight for safe assets intensified.

By midday Thursday, the euro was at $1.4090 from $1.4104 late Wednesday. The dollar weakened to 90.30 yen from 91.23 yen. The euro weakened to 127.47 yen from 128.67 yen. The U.K. pound weakened to $1.6210 from $1.6286. The dollar moved to 1.0421 Swiss francs from 1.0441 francs.

The dollar rally began overnight after China reported that gross domestic product rose 10.7% in the fourth quarter, compared with the 9.1% rise in the third quarter. Beijing also disclosed that inflation had risen as far as 1.9%, instead of increasing to only 1.7% as expected.

The Chinese data signal that "tighter policy is just around the corner as Beijing seeks to prevent the economy from overheating," RBC Capital strategists wrote in a note to clients.

The euro dipped to $1.4029, the lowest level since July 30, in overnight trading on the back a slew of negative news out of the nation's that use the euro, including concerns over sovereign debt and weaker economic data.

A spokeswoman for the European Commission, the European Union's executive arm, Thursday said she isn't aware of any financial bailout packages being arranged for Greece.

The International Monetary Fund warned that if Portugal doesn't reduce public wages and boost revenue this year, its deficit/GDP ratio will rise to 8.6%. Under the Maastricht Treaty, euro-zone countries are to limit that ratio to 3%.

The latest PMI surveys from the euro zone were disappointing, with the composite PMI—covering both manufacturing and services—coming in at 53.6 this month, down from 54.2 last month and lower than the 53.7 that had been forecast.

—Brad Davis contributed to this article.

Japan's yields track gains in Asian shares

By Takashi Mochizuki

TOKYO—Japanese government bond yields climbed Thursday as Asian stock markets rose, but analysts said the yields may soon give up those gains because concern over policy tightening in China and Greece's fiscal health should keep demand for the safe-haven assets intact.

"The JGB market was driven by higher share prices and a weaker yen today. But that doesn't mean—indeed it's very unlikely—that the bond [prices] will keep falling in the days ahead," said Keiko Onogi, a debt strategist at Daiwa Securities SMBC Co. Bond prices and yields move inversely.

BOND MARKETS

Factors such as the possibility of fiscal tightening in China and ongoing concern regarding Greece's financial situation suggest demand for bonds will increase in the near term, analysts said.

Jean Claude Trichet, president of the European Central Bank, has signaled the institution won't help the Greek government with its financial troubles.

"If China's policy tightening continues, that's obviously negative for the global economy. Greece fiscal concern is also likely to keep damping investors' risk appetite," said Naomi Hasegawa, a **Mitsubishi UFJ Securities** senior strategist. "Both factors support JGBs."

The benchmark 10-year yield rose 0.05 percentage point to 1.335%. The five-year yield rose 0.005 percentage point to 0.515%.

The 20-year yield fell 0.005 percentage point to 2.135% and the 30-year yield was unchanged at 2.305%.

In an auction Thursday, Japan's Finance Ministry sold one trillion yen ($10.96 billion) worth of 20-year bonds at a lowest price of 99.40, in line with investors' expectations, yielding 2.143%. The average price was 99.48, yielding 2.137%. The new issue carries a coupon of 2.1%.

Analysts said the yields on the new notes were sufficiently high to attract demand from Japanese life-insurance firms, who have recently been seeking longer-term bonds to gain higher returns.

FUND SCORECARD

Europe Small-Cap Equity

Funds that invest primarily in the equities of small-cap European companies. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending January 21, 2010

Leading 10Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
3	**Vontobel Europ Mid Sm Cap Eq A**	Vontobel Management S.A.	EUR	Luxembrg	**2.69**	99.49	-6.84	8.05
4	**Gartmore SICAV Pan Euro Sm Comp A**	Gartmore SICAV	EUR	Luxembrg	**2.91**	99.48	-0.04	8.24
5	**Squad Capital Growth**	Axxion S. A.	EUR	Luxembrg	**1.23**	98.73	1.04	NS
3	**UBS (Lux) ES Small Caps Europe EUR P Acc**	UBS (Lux) Equity Sicav	EUR	Luxembrg	**3.20**	98.08	-6.58	7.36
4	**BPER Intl SICAV European Equities SC**	BPER International Sicav	EUR	Luxembrg	**3.87**	95.51	-5.26	8.48
5	**Bestinver Internacional FI**	Bestinver Gestión	EUR	Spain	**2.72**	93.56	5.76	9.61
3	**Metzler European Smaller Companies**	Metzler Ireland Ltd.	EUR	Ireland	**3.47**	93.47	-1.42	10.81
2	**ING (L) Invest European Small Cap X**	ING Investment Management Luxembourg	EUR	Luxembrg	**2.11**	91.55	-9.91	4.73
4	**Amonis Eq Europe Small Cap**	Amonis	EUR	Belgium	**4.76**	91.51	-2.91	7.74
3	**ING Europe Small Caps**	ING Investment Management Europe	EUR	Nethrlnds	**3.55**	90.42	-8.91	6.68

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	01/20	EUR	53.05	-2.9	30.7	-25.1
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	01/20	USD	10.57	1.9	45.4	-9.3
Am Eq Blend B	US	EQ	LUX	01/20	USD	9.93	1.8	44.1	-10.1
Am Growth A	US	EQ	LUX	01/20	USD	31.45	0.7	50.2	-0.4
Am Growth AX	US	EQ	LUX	01/20	USD	33.95	0.7	51.0	0.2
Am Growth B	US	EQ	LUX	01/20	USD	26.42	0.6	48.7	-1.4
Am Growth C	US	EQ	LUX	01/20	USD	28.44	0.6	49.4	-0.8
Am Growth I	US	EQ	LUX	01/20	USD	34.86	0.7	51.4	0.4
Am Income A	US	BD	LUX	01/20	USD	8.53	1.2	25.6	6.1
Am Income A2	US	BD	LUX	01/20	USD	19.32	1.5	25.6	6.0
Am Income A2	OT	OT	NA	01/20	HKD	150.09	1.2	NS	NS
Am Income AT	OT	OT	NA	01/15	HKD	66.20	1.2	NS	NS
Am Income AT	US	BD	LUX	01/20	USD	8.53	1.4	25.6	6.0
Am Income B	US	BD	LUX	01/20	USD	8.53	1.2	24.6	5.2
Am Income B2	US	BD	LUX	01/20	USD	16.64	1.4	24.7	5.3
Am Income B2	OT	OT	NA	01/20	HKD	129.27	1.2	NS	NS
Am Income BT	OT	OT	NA	01/20	HKD	66.65	1.2	NS	NS
Am Income BT	US	BD	LUX	01/20	USD	8.58	1.4	24.9	5.3
Am Income C	US	BD	LUX	01/20	USD	8.53	1.2	25.0	5.5
Am Income C2	US	BD	LUX	01/20	USD	24.75	1.4	25.1	5.5
Am Income I	US	BD	LUX	01/20	USD	8.53	1.2	26.4	6.7
Am Value A	US	EQ	LUX	01/20	USD	8.69	1.9	28.6	-9.5
Am Value B	US	EQ	LUX	01/20	USD	7.99	1.8	27.2	-10.4
Am Value C	US	EQ	LUX	01/20	USD	8.68	1.8	28.0	-9.9
Am Value I	US	EQ	LUX	01/20	USD	9.35	1.9	29.5	-8.8
Emg Mkts Debt A	GL	BD	LUX	01/20	USD	15.69	0.8	44.7	8.4
Emg Mkts Debt A2	GL	BD	LUX	01/20	USD	20.34	1.1	44.9	8.5
Emg Mkts Debt AT	GL	BD	LUX	01/20	USD	15.78	1.2	44.9	8.5
Emg Mkts Debt B	GL	BD	LUX	01/20	USD	15.69	0.8	43.4	7.4
Emg Mkts Debt B2	GL	BD	LUX	01/20	USD	19.58	1.1	43.4	7.4
Emg Mkts Debt BT	GL	BD	LUX	01/20	USD	15.76	1.2	43.5	7.4
Emg Mkts Debt C	GL	BD	LUX	01/20	USD	15.69	0.8	44.1	8.0
Emg Mkts Debt C2	GL	BD	LUX	01/20	USD	19.98	1.1	44.2	8.0
Emg Mkts Debt I	GL	BD	LUX	01/20	USD	15.69	0.8	45.4	9.0
Emg Mkts Growth A	GL	EQ	LUX	01/20	USD	34.49	-0.5	92.7	-9.3
Emg Mkts Growth B	GL	EQ	LUX	01/20	USD	29.22	-0.5	90.9	-10.2
Emg Mkts Growth C	GL	EQ	LUX	01/20	USD	29.89	-0.5	91.8	-9.7
Emg Mkts Growth I	GL	EQ	LUX	01/20	USD	38.25	-0.4	94.3	-8.5
Eur Growth A	OT	OT	LUX	01/20	EUR	7.14	1.6	35.2	-12.4
Eur Growth A	OT	OT	LUX	01/20	USD	10.07	1.6	35.2	-12.4
Eur Growth B	OT	OT	LUX	01/20	EUR	6.42	1.6	34.0	-13.2
Eur Growth B	OT	OT	LUX	01/20	USD	9.06	1.6	34.0	-13.2
Eur Growth C	EU	EQ	LUX	01/20	EUR	5.41	1.5	34.6	-12.8
Eur Growth I	OT	OT	LUX	01/20	USD	10.99	1.6	36.4	-11.7
Eur Growth I	OT	OT	LUX	01/20	EUR	7.79	1.6	36.4	-11.7
Eur Income A	OT	OT	LUX	01/20	EUR	6.75	2.3	38.2	5.5
Eur Income A	OT	OT	LUX	01/20	USD	9.52	2.3	38.2	5.5
Eur Income A2	OT	OT	LUX	01/20	EUR	13.21	2.6	38.2	5.5
Eur Income A2	OT	OT	LUX	01/20	USD	18.63	2.6	38.2	5.5
Eur Income AT	EU	BD	LUX	01/20	EUR	6.76	2.7	38.2	5.5
Eur Income B	OT	OT	LUX	01/20	EUR	6.75	2.3	37.4	4.8
Eur Income B	OT	OT	LUX	01/20	USD	9.52	2.3	37.4	4.8
Eur Income B2	OT	OT	LUX	01/20	EUR	12.28	2.6	37.1	4.8
Eur Income B2	OT	OT	LUX	01/20	USD	17.32	2.6	37.1	4.8
Eur Income BT	EU	BD	LUX	01/20	EUR	6.76	2.6	37.1	4.8
Eur Income C	OT	OT	LUX	01/20	EUR	6.75	2.3	37.7	5.1
Eur Income C	OT	OT	LUX	01/20	USD	9.52	2.3	37.7	5.1
Eur Income C2	OT	OT	LUX	01/20	EUR	13.16	2.6	37.5	5.0
Eur Income C2	OT	OT	LUX	01/20	USD	18.56	2.6	37.5	5.0
Eur Income I	OT	OT	LUX	01/20	EUR	6.75	2.3	38.9	6.1
Eur Income I	OT	OT	LUX	01/20	USD	9.52	2.3	38.9	6.1
Eur Strat Value A	OT	OT	LUX	01/20	EUR	8.60	0.8	41.0	-16.0
Eur Strat Value A	OT	OT	LUX	01/20	USD	12.13	0.8	41.0	-16.0
Eur Strat Value I	OT	OT	LUX	01/20	EUR	8.81	0.8	42.3	-15.2
Eur Strat Value I	OT	OT	LUX	01/20	USD	12.43	0.8	42.3	-15.2
Eur Value A	OT	OT	LUX	01/20	EUR	9.26	0.7	45.6	-12.8
Eur Value A	OT	OT	LUX	01/20	USD	13.06	0.7	45.6	-12.8
Eur Value B	OT	OT	LUX	01/20	USD	12.00	0.6	44.0	-13.8
Eur Value B	OT	OT	LUX	01/20	EUR	8.51	0.6	44.0	-13.8
Eur Value C	OT	OT	LUX	01/20	USD	12.62	0.7	44.8	-13.2
Eur Value C	OT	OT	LUX	01/20	EUR	8.95	0.7	44.8	-13.2
Eur Value I	OT	OT	LUX	01/20	USD	15.09	0.8	46.8	-12.1
Eur Value I	OT	OT	LUX	01/20	EUR	10.70	0.8	46.8	-12.1
Gl Balanced (Euro) A	OT	OT	LUX	01/20	USD	16.42	1.5	29.5	-7.9
Gl Balanced (Euro) B	OT	OT	LUX	01/20	USD	15.98	1.4	28.2	-8.8
Gl Balanced (Euro) C	OT	OT	LUX	01/20	USD	16.29	1.5	29.2	-8.1
Gl Balanced (Euro) I	OT	OT	LUX	01/20	USD	16.73	1.5	NS	NS
Gl Balanced A	US	BA	LUX	01/20	USD	16.63	0.9	35.3	-7.6
Gl Balanced B	US	BA	LUX	01/20	USD	15.81	0.9	34.0	-8.5
Gl Balanced C	OT	OT	LUX	01/20	USD	16.38	0.9	34.8	-7.9
Gl Balanced C	OT	OT	LUX	01/20	EUR	11.61	0.9	34.8	-7.9
Gl Balanced I	US	BA	LUX	01/20	USD	17.26	1.0	36.2	-6.9
Gl Bond A	US	BD	LUX	01/20	USD	9.35	1.2	14.4	4.7
Gl Bond A2	US	BD	LUX	01/20	USD	16.23	1.4	14.2	4.6
Gl Bond A2	OT	OT	NA	01/20	HKD	126.08	1.4	14.2	4.6
Gl Bond AT	OT	OT	LUX	01/20	HKD	72.64	1.4	14.3	4.6
Gl Bond AT	US	BD	LUX	01/20	USD	9.35	1.4	14.3	4.6
Gl Bond B	US	BD	LUX	01/20	USD	9.35	1.2	13.3	3.6
Gl Bond B2	US	BD	LUX	01/20	USD	14.20	1.3	13.1	3.6
Gl Bond B2	OT	OT	NA	01/20	HKD	110.31	1.3	13.1	3.6
Gl Bond BT	OT	OT	LUX	01/20	HKD	72.87	1.3	13.1	3.6
Gl Bond BT	US	BD	LUX	01/20	USD	9.38	1.3	13.1	3.6
Gl Bond C	US	BD	LUX	01/20	USD	9.35	1.2	13.9	4.2
Gl Bond C2	US	BD	LUX	01/20	USD	14.08	1.4	13.7	4.2
Gl Bond I	US	BD	LUX	01/20	USD	9.35	1.2	15.0	5.2
Gl Conservative A	US	BA	LUX	01/20	USD	15.01	0.9	21.5	-2.4
Gl Conservative A2	US	BA	LUX	01/20	USD	17.09	0.9	21.6	-2.4
Gl Conservative B	US	BA	LUX	01/20	USD	15.00	0.9	20.4	-3.4
Gl Conservative B2	US	BA	LUX	01/20	USD	16.23	0.9	20.3	-3.4
Gl Conservative C	US	BA	LUX	01/20	USD	15.00	0.9	21.0	-2.9
Gl Conservative C2	US	BA	LUX	01/20	USD	16.71	0.9	21.0	-2.9
Gl Conservative I	US	BA	LUX	01/20	USD	15.09	1.0	22.7	-1.7
Gl Eq Blend A	GL	EQ	LUX	01/20	USD	11.74	0.7	49.9	-16.5
Gl Eq Blend B	GL	EQ	LUX	01/20	USD	11.01	0.5	48.4	-17.3
Gl Eq Blend C	GL	EQ	LUX	01/20	USD	11.53	0.6	49.4	-16.8
Gl Eq Blend I	GL	EQ	LUX	01/20	USD	12.39	0.7	51.1	-15.8
Gl Growth A	GL	EQ	LUX	01/20	USD	42.08	0.4	45.7	-17.4
Gl Growth B	GL	EQ	LUX	01/20	USD	35.11	0.4	44.2	-18.2
Gl Growth C	GL	EQ	LUX	01/20	USD	40.37	0.4	45.0	-17.8
Gl Growth I	GL	EQ	LUX	01/20	USD	46.75	0.5	46.8	-16.7
Gl High Yield A	US	BD	LUX	01/20	USD	4.42	2.1	59.7	6.6
Gl High Yield A2	US	BD	LUX	01/20	USD	9.50	2.6	59.4	6.5
Gl High Yield A2	OT	OT	NA	01/20	HKD	73.80	2.6	59.4	6.5
Gl High Yield AT	OT	OT	NA	01/20	HKD	34.10	2.6	59.1	6.5
Gl High Yield AT	US	BD	LUX	01/20	USD	4.39	2.6	59.1	6.5
Gl High Yield B	US	BD	LUX	01/20	USD	4.42	2.1	57.6	5.3
Gl High Yield B2	US	BD	LUX	01/20	USD	15.26	2.6	57.8	5.5
Gl High Yield B2	OT	OT	NA	01/20	HKD	118.55	2.6	57.8	5.5
Gl High Yield BT	OT	OT	NA	01/20	HKD	34.73	2.5	57.8	5.5
Gl High Yield BT	US	BD	LUX	01/20	USD	4.47	2.5	57.8	5.5
Gl High Yield C	US	BD	LUX	01/20	USD	4.42	2.1	58.8	6.0
Gl High Yield C2	US	BD	LUX	01/20	USD	14.07	2.6	58.6	6.1
Gl High Yield I	US	BD	LUX	01/20	USD	4.42	2.1	60.8	7.3
Gl Thematic Res. A	OT	OT	LUX	01/20	USD	14.78	0.3	84.1	3.0
Gl Thematic Res. B	OT	OT	LUX	01/20	USD	12.92	0.2	82.2	2.0
Gl Thematic Res. I	OT	OT	LUX	01/20	USD	16.48	0.3	85.4	3.8
Gl Value A	GL	EQ	LUX	01/20	USD	11.24	0.9	54.6	-15.5
Gl Value B	GL	EQ	LUX	01/20	USD	10.32	0.8	53.1	-16.4
Gl Value C	GL	EQ	LUX	01/20	USD	10.92	0.8	53.8	-15.9
Gl Value I	GL	EQ	LUX	01/20	USD	11.96	0.9	55.9	-14.9
Greater China A	AS	EQ	LUX	01/20	USD	39.63	-1.0	74.9	-12.0
Greater China B	AS	EQ	LUX	01/20	USD	35.05	-1.0	73.2	-12.9
Greater China C	AS	EQ	LUX	01/20	USD	39.12	-1.0	74.1	-12.4
India Growth A	OT	OT	LUX	01/20	USD	130.04	2.5	NS	NS
India Growth AX	OT	OT	LUX	01/20	USD	113.68	2.5	99.0	-6.3
India Growth B	OT	OT	LUX	01/20	USD	136.15	2.4	NS	NS
India Growth BX	OT	OT	LUX	01/20	USD	97.12	2.4	97.0	-7.2
India Growth I	EA	EQ	LUX	01/20	USD	117.84	2.5	99.9	-5.9
Int'l Health Care A	OT	EQ	LUX	01/20	USD	142.03	3.3	26.7	-6.1
Int'l Health Care B	OT	EQ	LUX	01/20	USD	119.74	3.3	25.4	-7.1
Int'l Health Care C	OT	EQ	LUX	01/20	USD	136.09	3.3	26.1	-6.5
Int'l Health Care I	OT	EQ	LUX	01/20	USD	155.25	3.4	27.7	-5.4
Int'l Technology A	OT	EQ	LUX	01/20	USD	109.82	-0.5	63.5	-5.3
Int'l Technology B	OT	EQ	LUX	01/20	USD	95.11	-0.5	61.9	-6.2
Int'l Technology C	OT	EQ	LUX	01/20	USD	106.10	-0.5	62.8	-5.7
Int'l Technology I	OT	EQ	LUX	01/20	USD	123.19	-0.4	64.8	-4.5
Japan Eq Blend A	JP	EQ	LUX	01/20	JPY	6236.00	3.5	30.1	-16.2
Japan Eq Blend B	JP	EQ	LUX	01/20	JPY	6014.00	3.5	28.8	-17.0
Japan Eq Blend C	JP	EQ	LUX	01/20	JPY	6135.00	3.5	29.5	-16.6
Japan Growth A	JP	EQ	LUX	01/20	JPY	5983.00	1.9	21.6	-17.1
Japan Growth B	JP	EQ	LUX	01/20	JPY	5770.00	1.8	20.4	-17.9
Japan Growth C	JP	EQ	LUX	01/20	JPY	5886.00	1.8	21.1	-17.5
Japan Strat Value A	JP	EQ	LUX	01/20	JPY	6425.00	5.0	38.2	-15.8
Japan Strat Value B	JP	EQ	LUX	01/20	JPY	6203.00	4.9	36.8	-16.6
Japan Strat Value C	JP	EQ	LUX	01/20	JPY	6316.00	5.0	37.5	-16.2
Real Estate Sec. A	OT	EQ	LUX	01/20	USD	14.29	-0.4	60.6	-10.8
Real Estate Sec. B	OT	EQ	LUX	01/20	USD	13.05	-0.5	59.0	-11.7
Real Estate Sec. I	OT	EQ	LUX	01/20	USD	15.36	-0.4	61.7	-10.0
Short Mat Dollar A	US	BD	LUX	01/20	USD	7.33	0.8	12.2	-5.2
Short Mat Dollar A2	US	BD	LUX	01/20	USD	9.90	1.1	12.2	-5.2
Short Mat Dollar AT	US	BD	LUX	01/20	USD	7.33	1.1	12.2	-5.2
Short Mat Dollar B	US	BD	LUX	01/20	USD	7.33	0.8	11.7	-5.6
Short Mat Dollar B2	US	BD	LUX	01/20	USD	9.85	1.1	11.7	-5.6
Short Mat Dollar BT	OT	OT	LUX	01/20	USD	7.35	1.1	11.1	-5.8
Short Mat Dollar C	US	BD	LUX	01/20	USD	7.33	0.8	11.7	-5.6
Short Mat Dollar C2	US	BD	LUX	01/20	USD	13.93	1.2	11.7	-5.6
Short Mat Dollar I	US	BD	LUX	01/20	USD	7.33	0.8	12.8	-4.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	01/19	USD	99.90	-0.1	21.4	20.6
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	11/30	USD	90.86	21.4	24.1	-9.4
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
Closed for New Investments									
Superfund Cayman*	OT	OT	CYM	01/19	USD	44.27	8.6	-47.4	-3.7
Superfund GCT USD*	GL	EQ	LUX	01/19	USD	2393.00	9.0	-34.9	-0.6
Superfund Green Gold A (SPC)	OT	OT	CYM	01/19	USD	1046.18	8.5	-3.9	5.4
Superfund Green Gold B (SPC)	OT	OT	CYM	01/19	USD	1035.58	10.7	-18.2	2.2
Superfund Q-AG*	OT	OT	AUT	01/19	EUR	6928.00	4.6	NS	3.5
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4

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MARKETS

Banking sector drags down stocks in U.S.

By Donna Kardos Yesalavich And Kristina Peterson

U.S. stocks tumbled Thursday on fears that potential government restrictions on banks' size and the risks they can take could ultimately reduce liquidity across the markets.

The Dow Jones Industrial Average dropped 176 points, or 1.7%, to 10427, in late-morning trade.

ABREAST OF THE MARKET

The Dow's financial components led its declines. **J.P. Morgan Chase** fell 4.6%, while **Bank of America** dropped 3.5%. The declines came as President Barack Obama was set to propose new limits on the size and risk taken by the country's biggest banks, marking the latest assault on Wall Street. The measures Mr. Obama is expected to endorse include restrictions on the proprietary trading done by commercial banks, essentially limiting the way banks bet with their own capital.

The Standard & Poor's 500 index fell 1.4% to 1122. The technology-heavy Nasdaq Composite fell 0.8%.

The possible bank rule changes overshadowed strong earnings from **Goldman Sachs Group**, which reported a fourth-quarter profit that well outstripped analysts' expectations. However, its shares fell 2.9%.

The expected restrictions on banks weighed not only on the financial sector, however. Other sectors also slid on fears that the restrictions could result in reduced liquidity across the market, said Nick Kalivas, strategist and vice president of financial research at MF Global.

"It's thought that even if there's not a strict edict from Washington to stop proprietary trading, there might be a move among some of the financial players to rein in some of their leverage and operations so they can fly below the radar screen," Mr. Kalivas said. "So you could have less liquidity and there's concern it could cause them to cut down on lending."

European stocks

Miners took another tumble and banks fell, pressured by worries about economic growth and tighter regulation.

The pan-European Dow Jones Stoxx 600 index closed with a 1.4% drop to 252.71.

Rio Tinto shares fell 5% and **Anglo American** shares slid 6.2%.

Fresh concerns about Greece's ability to meet its borrowing needs hurt bank shares. In Athens, **EFG Eurobank Ergasias** and **Emporiki Bank of Greece** each dropped by more than 5%. On the London Stock Exchange, **Royal Bank of Scotland** fell more than 7% and **Barclays** and **Lloyds Banking Group** fell between 5% and 6%, as Mr. Obama outlined a ruling blocking banks from investing in hedge funds.

Among regional markets, the U.K. FTSE 100 index fell 1.6% to 5335.10, the German DAX index lost 1.8% to 5746.97 and the French CAC-40 index fell 1.7% to 3862.16.

Treasurys bounce off early lows

By Min Zeng

NEW YORK—Treasury prices bounced off the session lows following the release early Thursday of unexpectedly weak U.S. jobless claims data.

The number of U.S. workers filing new claims for jobless benefits rose last week, though the increase, a U.S. Labor Department economist said, is partly due to an administrative backlog in processing claims during the winter holidays.

U.S. CREDIT MARKETS

At 11 a.m. Thursday, the price of the two-year Treasury note was down 1/32 at 100 7/32, to yield 0.8859%. The 10-year note was up 4/32, or $2.50 for each $1,000 invested, at 97 26/32, pushing the yield down to 3.6417%, as prices and yields move inversely. The 30-year bond was up 11/32 to 97 19/32, for a yield of 4.5224%.

Also Thursday, the Treasury Department announced the sizes for next week's two-year, five-year and seven-year note auctions. The Treasury will sell $44 billion of two-year notes on Tuesday, $42 billion of five-year notes on Wednesday and $32 billion of seven-year notes on Thursday, in line with expectations and matching last month's sales.

The Treasury also will sell $23 billion of re-opened three-month bills on Monday and $25 billion of reopened six-month bills on Wednesday.

Weaker yen lifts Japan; banks fall in Hong Kong

By Leslie Shaffer And Kirsty Green

Japanese shares climbed as the yen's weakness boosted exporters such as **Sony**, while Hong Kong stocks declined after strong Chinese economic data added to fears of further policy tightening.

Other regional markets mostly fell, though benchmark indexes in China and South Korea edged higher.

Worries that any tightening measures from Beijing would weigh on China's demand for commodities, as well as the stronger U.S. dollar, sent mining and metals shares lower in the region. **Aluminum Corp. of China** slid 3.9% and **Angang Steel** shed 4.1% in Shanghai, **BHP Billiton** dropped 1.7% and **Rio Tinto** fell 3.2% in Sydney, while **Sterlite Industries (India)** skidded 3.8% and **Hindalco Industries** dropped 1.8% in Mumbai.

ASIAN-PACIFIC STOCKS

In Tokyo, the Nikkei Stock Average of 225 companies rose 1.2% to 10868.41, snapping a three-day losing streak. Exporters advanced on the yen's weakness against the dollar, with Sony climbing 4.1%, while **Honda Motor** advanced 1.7%.

Among financials, **Sumitomo Mitsui Financial Group** jumped 4.5% after setting a price for its planned public offering later this month. Insurers also got a boost from a Nikkei report that non-life-insurance companies are bolstering their Chinese operations on the back of rising auto ownership. **Mitsui Sumitomo Insurance Group Holdings** added 2.5%.

In Hong Kong, the Hang Seng index dropped 2% to 20862.67. The decline was driven by concerns that the strength of China's economic recovery would force Beijing to tighten its monetary and fiscal policies to control rising inflationary pressures. China's fourth-quarter gross domestic product rose 10.7% from the year-earlier period, pushing 2009 GDP growth to a better-than-expected 8.7%. At the same time, China's consumer-price index rose 1.9% in December, driven by higher food prices.

Financial firms extended losses from the previous session after China's banking regulator said it planned to control the pace of credit growth this year. **Industrial & Commercial Bank of China** fell 2.9%, following its 2.6% decline Wednesday; **Bank of China** dropped 2% after a 3.4% fall in the previous session; and **Citic Bank** dropped 3.6%, extending Wednesday's 4.1% slide.

In Shanghai, the composite index edged up 0.2% to 3158.86, with Chinese banks retracing some losses they suffered the previous day. **Bank of Communications** gained 2.3% and **China Merchants Bank** rose 1.8%. In Hong Kong, however, those two banks fell 3.8% and 2.9%, respectively.

In Seoul, **LG Display** gained 4.6% after reporting better-than-expected earnings for the fourth quarter.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/21	EUR	51.41	-1.5	49.5	-6.6
Industria AE	EU	EQ	DEU	01/21	EUR	73.02	2.1	42.7	-10.8
InternRent AE	EU	BD	DEU	01/21	EUR	36.14	2.6	0.1	8.5

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Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

CAM-GTF Limited	AS	EQ	MUS	01/15	USD	286509.90	4.4	107.0	5.9

GAM

■ GAM FUND MANAGEMENT LIMITED
George's Court, 54-62 Townsend Street, Dublin 2, Ireland
Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com

GAM Arbitrage Op	OT	OT	VGB	01/08	USD	1265.58	1.8	24.9	-7.6
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/18	JPY	16277.25	4.8	82.9	8.1
GAM Asia Equity Hedge US	OT	OT	VGB	01/18	USD	302.56	4.2	80.2	5.5
GAM Asia Equity USD	OT	OT	VGB	01/20	USD	655.92	0.3	80.7	-9.1
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/19	USD	1349.82	5.2	32.1	-11.7
GAM Com Glb Bal EUR Op	US	BA	VGB	01/11	EUR	95.98	2.1	17.6	-7.3
GAM Com Glb Bal USD Op	US	BA	VGB	01/11	USD	130.50	2.1	17.6	-7.3
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/11	EUR	99.19	3.0	25.8	-13.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/11	USD	131.35	3.0	25.8	-13.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/11	EUR	86.93	2.4	18.4	-10.9
GAM Comp Glb Gr USD Op	US	BA	VGB	01/11	USD	130.10	2.4	18.4	-10.9
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/15	USD	250.49	0.7	36.6	-8.7
GAM Cross Trading Inc	OT	OT	VGB	01/11	USD	468.70	0.6	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	01/11	CHF	95.00	0.7	4.2	-6.4
GAM Diversity EUR Op	OT	OT	VGB	01/11	EUR	653.49	0.8	5.0	-4.8
GAM Diversity USD 2.5XL	OT	OT	VGB	01/11	USD	79.73	1.8	9.5	NS
GAM Diversity USD Op	OT	OT	VGB	01/11	USD	686.19	0.8	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	01/11	CHF	100.26	0.8	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	01/11	EUR	139.86	0.8	4.6	-5.0
GAM Dvrsty II USD Op	OT	OT	VGB	01/11	USD	211.83	0.8	NS	-5.3
GAM DvrstyIII EUR Op	OT	OT	VGB	01/11	EUR	116.48	0.8	4.6	-5.1
GAM DvrstyIII USD Op	OT	OT	VGB	01/11	USD	122.95	0.8	4.7	-5.3
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/18	EUR	221.34	1.2	10.8	-3.1
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/18	USD	205.57	1.1	11.6	-1.5
GAM European Equity USD	OT	OT	VGB	01/19	USD	300.59	2.5	43.2	-8.8
GAM GAMCO	OT	EQ	VGB	01/12	USD	826.64	2.0	34.1	-7.8
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/18	EUR	98.42	0.6	14.2	-16.8
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/18	USD	103.80	0.6	14.8	-16.1
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/18	USD	261.83	4.8	28.4	-4.9
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/18	USD	299.67	4.5	120.9	24.0
GAM Intrst Trend II	GL	BD	VGB	12/31	USD	94.13	42.5	42.5	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	01/18	USD	272.16	8.2	62.5	-3.5
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/18	EUR	127.11	8.9	13.8	-1.2
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/18	USD	132.25	8.4	NS	NS
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/18	JPY	9104.39	8.3	17.9	-13.0
GAM Japan USD	JP	EQ	VGB	01/19	USD	1186.89	7.6	20.5	-11.6
GAM Japan YEN	JP	EQ	VGB	01/19	JPY	9411.56	6.6	23.4	-17.1
GAM Money Mkt EuroOp	EU	MM	VGB	01/19	EUR	51.15	0.1	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/19	USD	100.01	0.1	0.0	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	01/11	EUR	112.27	1.0	0.2	-8.9
GAM Multi-Arb USD Op	OT	OT	VGB	01/11	USD	117.23	1.0	0.3	-9.2
GAM Multi-China EUR Op	OT	OT	VGB	01/11	EUR	170.26	1.4	14.2	NS
GAM Multi-China USD Op	OT	OT	VGB	01/11	USD	179.02	1.4	14.8	-9.0
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/11	GBP	134.06	1.9	26.4	-1.3
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/11	USD	663.25	1.9	26.4	-1.6
GAM Multi-Eur EUR Op	OT	OT	VGB	01/11	EUR	271.61	1.0	7.8	-8.6
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/11	EUR	139.75	1.0	7.8	-8.6
GAM Multi-Eur II USD Op	OT	OT	VGB	01/11	USD	114.21	1.0	7.4	-9.6
GAM Multi-Eur USD Op	OT	OT	VGB	01/11	USD	472.47	1.0	7.5	-9.5
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/11	EUR	134.58	0.4	NS	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/11	USD	219.04	0.4	11.7	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/11	EUR	145.27	1.3	6.6	-3.7
GAM Multi-Pac USD Op	OT	OT	VGB	01/11	USD	167.58	1.3	6.7	-4.1
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/08	USD	2723.40	3.2	72.0	10.5
GAM Sing/Malaysia	AS	EQ	VGB	01/20	USD	2575.13	2.0	66.6	-7.6
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/18	GBP	238.01	3.5	39.8	4.6
GAM Trading EUR Inc	OT	OT	VGB	01/11	EUR	327.16	0.6	5.6	6.6
GAM Trading USD Inc	OT	OT	VGB	01/11	USD	978.98	0.6	5.9	5.9
GAM Trdg II IncEUR Op	OT	OT	VGB	01/11	EUR	139.92	0.6	5.5	6.5
GAM Trdg II IncUSD Op	OT	OT	VGB	01/11	USD	317.88	0.6	5.9	6.0
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/11	EUR	147.67	0.6	5.4	6.2
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/11	USD	155.46	0.6	5.6	5.9
GAM Trdg V IncEUR Op	OT	OT	VGB	01/11	EUR	125.24	0.6	5.4	6.1
GAM Trdg V IncUSD Op	OT	OT	VGB	01/11	USD	130.39	0.6	5.5	5.9
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/11	EUR	158.02	0.6	5.5	6.3
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/11	USD	163.50	0.6	5.6	5.9
GAM USDSpecBondInc	US	BD	VGB	01/18	USD	557.68	5.2	70.5	9.0
GAM Worldwide	GL	EQ	VGB	01/19	USD	2271.38	2.1	40.4	-5.9
GAMut Investments	OT	OT	VGB	01/13	USD	7649.45	0.9	5.2	8.1

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/19	CHF	11.16	1.1	58.9	-11.4
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/19	EUR	12.12	1.7	62.5	-6.7
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/19	GBP	1.57	0.2	56.6	0.9
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/19	USD	13.61	1.5	78.1	-7.4
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/19	EUR	106.70	5.5	25.0	-9.2
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/19	EUR	103.26	5.5	25.0	-9.2
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/19	EUR	11.23	2.1	32.4	-5.7
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/19	EUR	188.14	2.8	32.9	-8.0
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/19	EUR	171.91	2.8	32.8	-8.0
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/19	USD	16.40	2.5	45.4	-8.7
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/19	USD	14.87	2.5	45.3	-8.7
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/19	USD	5.49	0.1	35.4	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/19	EUR	94.84	7.8	14.8	-8.3
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/19	EUR	94.84	7.8	14.8	-8.3
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/19	JPY	981.40	6.5	22.8	-16.9
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/19	USD	11.96	7.6	19.2	-11.7
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/19	USD	2284.35	2.1	41.4	-5.5

Manulife Wealth Management 宏利財富管理

■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	01/21	USD	15.39	1.7	32.7	-7.3
American Growth AA	US	EQ	LUX	01/21	USD	0.89	1.7	32.4	-5.4
Asian Equity	AS	EQ	LUX	01/21	USD	2.42	0.3	79.5	-6.8
Asian Equity AA	AS	EQ	LUX	01/21	USD	0.78	0.3	78.8	-7.1
Asian Sm Cap Equity AA	AS	EQ	LUX	01/21	USD	1.19	4.3	107.4	-1.7
China Value A	AS	EQ	LUX	01/21	USD	6.92	-0.1	76.6	-2.5
China Value AA	AS	EQ	LUX	01/21	USD	2.18	-0.1	76.2	-2.8
Dragon Growth	AS	EQ	LUX	01/21	USD	1.59	-0.8	75.0	-6.9
Dragon Growth AA	OT	OT	LUX	01/21	HKD	7.73	-0.7	74.8	-7.9
Emg Eastrn Europe A	EU	EQ	LUX	01/21	USD	4.87	7.5	139.8	-12.4
Emg Eastrn Europe AA	EU	EQ	LUX	01/21	USD	2.10	7.5	139.4	-12.6
European Growth	EU	EQ	LUX	01/21	USD	9.13	1.2	70.7	-13.6
European Growth AA	EU	EQ	LUX	01/21	USD	0.65	1.2	70.2	-13.8
Global Contrarain AA	GL	EQ	LUX	01/21	USD	0.92	5.0	102.0	NS
Global Property AA	OT	EQ	LUX	01/21	USD	0.68	1.1	60.7	-9.3
Global Resources AA	OT	EQ	LUX	01/21	USD	1.09	3.4	65.7	-7.4
Healthcare AA	OT	EQ	LUX	01/21	USD	0.97	2.9	20.2	NS
India Equity AA	EA	EQ	LUX	01/21	USD	1.09	2.3	94.2	-15.5
International Growth	GL	EQ	LUX	01/21	USD	3.10	2.6	36.1	-10.6
International Growth AA	GL	EQ	LUX	01/21	USD	0.72	2.6	35.7	-10.9
Japanese Growth	JP	EQ	LUX	01/21	USD	2.90	5.0	19.7	-8.9
Japanese Growth AA	JP	EQ	LUX	01/21	USD	0.76	4.9	19.4	-9.1
Latin America Equity AA	GL	EQ	LUX	01/21	USD	1.27	0.8	108.6	2.4
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/21	USD	1.01	0.9	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/21	USD	1.16	2.7	NS	NS
Russia Equity AA	EE	EQ	LUX	01/21	USD	0.69	14.7	200.4	-16.7
Taiwan Equity AA	AS	EQ	LUX	01/21	USD	1.07	-0.2	104.6	4.2
Turkey Equity AA	EE	EQ	LUX	01/21	USD	0.82	8.1	158.4	-3.9
U.S. Bond AA	US	BD	LUX	01/21	USD	1.13	1.6	18.3	7.4
U.S. Sm Cap Equity AA	US	EQ	LUX	01/21	USD	0.85	4.2	74.5	-5.3
U.S. Special Opportunities	OT	OT	LUX	01/21	USD	0.86	6.0	81.6	5.6
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/21	USD	1.15	0.9	9.7	2.3

■ PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	01/13	USD	136.95	7.5	110.4	-1.1

Sensible Asset Management
A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	01/20	USD	8.16	1.7	103.0	-2.1

SOCIETE GENERALE Asset Management

■ SG ASSET MANAGEMENT (HK) LTD
Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

Bonds Eur Hi Yld A	OT	OT	LUX	01/19	EUR	21.25	3.2	50.9	2.2
Bonds EURO A	OT	OT	LUX	01/20	EUR	41.17	0.3	4.9	4.5
Bonds EUROPE A	OT	OT	LUX	01/20	EUR	39.41	0.8	4.8	4.1
Bonds US OppsCoreplus A	OT	OT	LUX	01/19	USD	37.32	1.1	15.3	7.9
Bonds World A	OT	OT	LUX	01/20	USD	42.09	0.2	9.5	4.8
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/20	USD	10.50	0.7	81.1	-7.8
Eq. China A	AS	EQ	LUX	01/20	USD	23.49	-2.7	73.6	-11.1
Eq. Concentrated Euroland A	OT	OT	LUX	01/20	EUR	91.79	-1.3	29.6	-15.5
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/20	EUR	27.25	0.9	44.6	-13.0
Eq. Emerging Europe A	OT	OT	LUX	01/20	EUR	25.66	8.9	114.0	-19.5
Eq. Euroland A	EU	EQ	LUX	01/20	EUR	10.74	-0.8	28.3	-16.6
Eq. Euroland Small Cap A	OT	OT	LUX	01/20	EUR	145.45	3.0	50.9	-4.0
Eq. EurolandCyclclsA	EU	EQ	LUX	01/20	EUR	17.85	0.3	40.0	-10.4
Eq. EurolandFinancialA	OT	EQ	LUX	01/19	EUR	11.45	1.2	55.8	-16.8
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/20	USD	9.60	-0.8	79.2	-12.1
Eq. Global A	GL	EQ	LUX	01/20	USD	28.22	1.3	46.2	-9.1
Eq. Global Energy A	OT	EQ	LUX	01/20	USD	18.42	1.6	41.1	-8.4
Eq. Global Resources A	OT	OT	LUX	01/19	USD	114.37	4.7	69.9	-4.7
Eq. Gold Mines A	OT	EQ	LUX	01/20	USD	30.26	-0.1	57.1	-1.3
Eq. India A	OT	OT	LUX	01/20	USD	134.13	2.6	93.4	-15.6
Eq. Japan CoreAlpha A	OT	OT	LUX	01/20	JPY	7732.33	6.6	35.0	-6.9
Eq. Latin America A	OT	OT	LUX	01/19	USD	118.12	1.6	91.4	-4.8
Eq. US Lg Cap Gr A	US	EQ	LUX	01/20	USD	15.57	2.1	54.4	-6.6
Eq. US Rel Val A	US	EQ	LUX	01/20	USD	21.22	3.0	49.6	-9.5
Eq. US Sm Cap Val A	US	EQ	LUX	01/20	USD	16.24	1.8	43.6	-14.2
Money Market EURO A	EU	MM	LUX	01/20	EUR	27.40	0.0	0.9	2.5
Money Market USD A	US	MM	LUX	01/20	USD	15.83	0.0	0.5	1.6

المستثمر الوطني The National Investor

■ THE NATIONAL INVESTOR
TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	01/14	USD	954.00	-0.7	-2.1	-29.6
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/14	AED	5.19	-2.6	6.0	-33.8

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Investing through discipline

■ WEBSITE: WWW.VALUEPARTNERS.COM.HK, TEL: (852) 2880 9263, FAX: (852) 2564 8487
**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	01/15	USD	30.29	1.5	99.7	5.9
Intel-China Converg*	AS	EQ	CYM	01/15	USD	115.18	1.0	99.9	4.9
VP Classic - A	AS	EQ	CYM	01/20	USD	190.75	2.3	93.4	2.4
VP CLassic - B	AS	EQ	CYM	01/20	USD	88.88	2.3	92.5	1.8
VP High Dividend Stk	AS	EQ	CYM	01/18	USD	46.37	2.1	87.8	1.5

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■ YUKI INTERNATIONAL LIMITED
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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	01/21	JPY	9757.00	1.5	22.2	-19.0
YMR-N Small Cap Fund	OT	OT	IRL	01/21	JPY	7099.00	0.2	17.5	-18.2

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	01/21	JPY	6351.00	3.3	18.4	-19.3
Yuki 77 Growth	JP	EQ	IRL	01/21	JPY	5805.00	2.9	12.7	-24.3

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/21	JPY	7077.00	3.7	23.4	-15.9
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/21	JPY	7957.00	5.5	7.8	-14.9

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/21	JPY	4861.00	4.0	18.5	-19.2
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/21	JPY	5487.00	4.6	15.2	-13.6
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/21	JPY	5166.00	1.2	18.9	-15.0

■ Yuki Mizuho Series

Yuki Mizuho Jpn Gen Jpn III	OT	OT	IRL	01/21	JPY	4550.00	2.9	20.4	-23.2
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/21	JPY	4817.00	3.3	20.3	-22.8
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/21	JPY	7184.00	3.1	31.1	-17.7
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/21	JPY	8903.00	3.3	24.1	-16.7
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/21	JPY	6544.00	2.9	16.9	-20.0
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/21	JPY	7914.00	3.7	8.2	-16.8
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/21	JPY	5419.00	4.4	21.8	-17.4
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/21	JPY	11923.00	3.1	18.3	-11.7
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/21	JPY	8132.00	2.2	19.7	-22.8
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/21	JPY	7203.00	0.9	26.4	-16.2
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/21	JPY	5859.00	3.7	23.9	-14.9
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/21	JPY	2744.00	0.7	22.6	-25.4

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	01/21	JPY	5619.00	3.7	23.3	-15.7

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Japan	1.36%	5.8%	23.0%
Turkey	0.16	4.4	118.7
Russia	-0.98	3.1	143.4
Sweden	0.90	1.9	66.9
South Korea	0.51	1.7	58.2
Netherlands	0.80	1.7	48.5
Switzerland	0.47	1.5	35.3
Italy	0.83	0.4	37.0
U.K.	0.06	0.4	34.0
France	0.52	unch.	38.5
Australia	-0.65	-0.5%	38.5
Spain	-0.13	-0.9	29.9
South Africa	-0.97	-1.0	31.5
Germany	0.52	-1.2	33.2
Canada	0.02	-1.8	35.0
Singapore	-1.36	-2.0	68.3
Brazil	-0.72	-5.0	102.0
Hong Kong	-2.15	-5.0	59.0
China 88	0.64	-6.5	54.1

Dow Jones Regional Sector Titans

Travel Leisure	0.96%	5.7%	31.0%
EU Enlarged†-p	-1.08	5.4	54.6
Health Care	0.03	4.0	22.5
Asian 50	0.10	3.6	46.5
Arab 50	-0.43	2.4	33.8
Nordic 30 -p	-1.85	1.6	43.9
Global 50	-0.04	0.6	35.7
Stoxx 50 -p	-1.65	0.2	35.2
Euro Stoxx 50 -p	-2.35	-1.7%	33.2
Tiger 50*	-1.03	-1.9	75.4

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Thursday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Sumitomo Mitsui Finl	Japan	Banks	$33.2	3,020	4.46%	-8.5%	-76.0%
Sony	Japan	Consumer Electronics	34.6	3,185	4.08	64.3	-44.3
Panasonic	Japan	Consumer Electronics	34.5	1,528	3.38	36.8	-36.2
Japan Tobacco	Japan	Tobacco	34.1	326,000	3.16	25.8	-44.3
JFE Hldgs	Japan	Iron Steel	19.9	3,445	2.68	47.5	-46.6
RioZim Ltd	Australia	General Mining	$41.8	75.55	-3.19%	146.7	23.6
Indl Comm Bk China	Hong Kong	Banks	61.2	5.72	-2.89	77.1	22.5
Sun Hung Kai Prop	Hong Kong	Real Estate Holding Development	34.7	105.00	-2.42	62.4	8.2
PetroChina	Hong Kong	Integrated Oil Gas	24.9	9.18	-2.34	59.7	-6.8
Cheung Kong	Hong Kong	Real Estate Holding Development	28.8	96.45	-2.18	40.7	-6.1

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
KDDI Japan (Mobile Telecommunications)	26.3	545,000	2.64%	-5.4%	-35.8%
Tokio Marine Hldgs Japan (Property Casualty Insurance)	22.8	2,651	2.55	19.7	-41.0
Mitsubishi UFJ Finl Japan (Banks)	74.6	492.00	2.07	1.0	-67.6
Toyota Motor Japan (Automobiles)	143.9	4,190	2.07	46.8	-47.7
Samsung Elec South Korea (Semiconductors)	110.3	850,000	1.92	84.4	41.0
Canon Japan (Electronic Office Equipment)	51.1	3,800	1.88	41.8	-41.8
Honda Motor Japan (Automobiles)	66.0	3,310	1.69	64.3	-30.9
Mizuho Financial Grp Japan (Banks)	28.8	188.00	1.62	-14.6	-79.1
Nippon T&T Japan (Fixed Line Telecommunications)	57.6	3,995	1.40	-12.6	-35.9
Mitsubishi Japan (Industrial Suppliers)	43.0	2,400	1.35	97.9	0.4
Shinhan Financial Grp South Korea (Banks)	17.8	42,650	1.31	63.5	-9.6
Nippon Steel Japan (Iron Steel)	25.5	371.00	1.09	33.0	-45.8
NTT DoCoMo Japan (Mobile Telecommunications)	62.4	137,100	0.96	-14.1	-27.5
Shin-Etsu Chml Japan (Specialty Chemicals)	24.3	5,260	0.96	26.1	-34.3
Nissan Motor Japan (Automobiles)	34.0	765.00	0.92	156.7	-49.6
KB Fncl Group South Korea (Banks)	19.0	56,200	0.54	72.8	-21.9
Westpac Bking Australia (Banks)	68.0	25.61	0.51	65.0	2.4
Tokyo Elec Power Japan (Conventional Electricity)	36.8	2,496	0.24	-10.4	-36.2
Kansai Elec Power Japan (Conventional Electricity)	22.2	2,136	0.19	-9.7	-35.3
East Japan Railway Japan (Travel Tourism)	26.9	6,230	0.16	-2.8	-25.6

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Commonwlth Bk of Aus Australia (Banks)	78.4	56.56	...	120.9%	12.8%
Takeda Pharm Japan (Pharmaceuticals)	34.4	4,000	...	-6.5	-48.9
Aus NZ Bk Australia (Banks)	53.2	23.26	-0.04%	78.9	-19.6
Woolworths Australia (Food Retailers Wholesalers)	30.9	27.50	-0.04	5.4	18.2
Mitsui Japan (Industrial Suppliers)	28.4	1,436	-0.14	61.2	-24.4
Seven I Hldgs Japan (Broadline Retailers)	19.8	2,006	-0.20	-22.7	-45.9
Nintendo Japan (Toys)	35.9	25,750	-0.35	-17.2	-23.3
Westfield Grp Australia (Retail REITs)	26.3	12.51	-0.56	-2.0	-42.0
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	50.8	62.60	-0.63	56.5	-10.5
National Australia Bk Australia (Banks)	52.0	27.19	-0.95	50.1	-32.6
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	39.0	146.00	-1.02	184.6	-6.6
POSCO South Korea (Iron Steel)	41.1	615,000	-1.13	75.7	90.1
Woodside Petroleum Australia (Exploration Production)	30.1	45.90	-1.29	32.1	23.2
China Life Ins Hong Kong (Life Insurance)	34.4	35.95	-1.51	78.0	55.3
China Constr Bk Hong Kong (Banks)	177.0	6.12	-1.61	64.5	27.0
QBE Ins Grp Australia (Reinsurance)	22.0	23.50	-1.63	0.8	-22.4
Hutchison Whampoa Hong Kong (Diversified Industrials)	30.4	55.30	-1.69	49.3	-30.8
BHP Billiton Australia (General Mining)	130.6	42.67	-1.70	46.4	63.6
China Mobile (HK) Hong Kong (Mobile Telecommunications)	191.9	75.00	-1.90	10.1	-1.5
CNOOC Hong Kong (Exploration Production)	68.1	11.84	-1.99	79.9	75.7

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.33%	0.84%	1.3%	0.2%	6.7%
Event Driven	0.23	1.61	3.0	1.1	14.9
Equity Long/Short	0.50	3.21	1.8	2.0	5.1

*Estimates as of 01/19/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

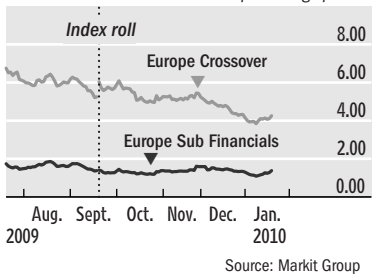
Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.78	101.02%	0.01%	1.00	0.65	0.82
Eur. High Volatility: 12/1	1.09	99.57	0.01	1.76	0.92	1.32
Europe Crossover: 12/1	4.26	102.96	0.05	6.15	3.79	5.01
Asia ex-Japan IG: 12/1	0.98	100.08	0.01	1.29	0.87	1.05
Japan: 12/1	1.32	98.51	0.01	1.68	0.99	1.32

Note: Data as of January 20

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
KT	72	-3	9	...
Casio Computer	52	-3	...	-3
Nissan Mtr	114	-2	1	-13
NEC	87	-2	-2	-18
Nippon Oil	39	-2	-2	-6
MISC	90	-2	3	-3
Kawasaki Kisen Kaisha	226	-1	4	-31
Suzuki Mtr	66	-1	-1	-5
Furukawa Elec	103	-1	-2	-8
Ricoh	36	-1	-1	-4

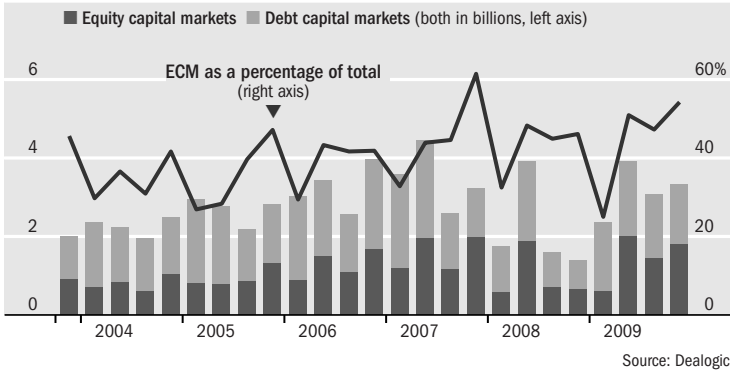
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Hana Bank	114	4	17	11
Mazda Mtr	191	4	-13	-26
Korea Expwy	75	4	11	-1
Woori Bk	127	4	19	10
Hyundai Cap Services	134	4	7	-4
China Dev Bk	109	5	12	-3
Expt Import Bk of China	110	7	10	-8
Acom	263	13	50	-18
Promise	599	15	49	-262
Sanyo Shinpan Fin	609	30	59	-253

Source: Markit Group

Europe, Middle East & Africa: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	368.25	0.25	0.07%	712.25	315.50
Soybeans (cents/bu.)	CBOT	956.00	6.00	0.63	1,560.00	805.00
Wheat (cents/bu.)	CBOT	498.00	0.50	0.10	1,029.25	459.00
Live cattle (cents/lb.)	CME	91.125	-0.050	-0.05%	95.175	85.050
Cocoa ($/ton)	ICE-US	3,453	31	0.91	3,510	1,994
Coffee (cents/lb.)	ICE-US	138.65	-0.55	-0.40	188.65	115.00
Sugar (cents/lb.)	ICE-US	29.48	0.37	1.27	29.82	11.91
Cotton (cents/lb.)	ICE-US	71.00	0.20	0.28	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,488.00	44	1.80	2,743	2,150
Cocoa (pounds/ton)	LIFFE	2,338	35	1.52	2,350	1,310
Robusta coffee ($/ton)	LIFFE	1,328	-17	-1.26	1,710	1,300
Copper (cents/lb.)	COMEX	333.50	-2.00	-0.60	365.00	135.50
Gold ($/troy oz.)	COMEX	1095.00	-17.30	-1.56	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	1761.50	-26.50	-1.48	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,257.00	-26.00	-1.14	2,356.50	1,288.00
Tin ($/ton)	LME	17,925.00	-25.00	-0.14	18,250.00	9,945.00
Copper ($/ton)	LME	7,378.00	-81.00	-1.09	7,695.00	3,085.00
Lead ($/ton)	LME	2,293.00	-127.00	-5.25	2,615.00	995.00
Zinc ($/ton)	LME	2,469.00	-19.00	-0.76	2,659.00	1,086.00
Nickel ($/ton)	LME	18,875	-180	-0.94	21,150	9,475
Crude oil ($/bbl.)	NYMEX	77.20	-0.54	-0.69	141.30	48.78
Heating oil ($/gal.)	NYMEX	2.0364	0.0020	0.10	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	2.0383	-0.0193	-0.94	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.510	0.043	0.79	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	75.91	-0.41	-0.54	98.10	49.10
Gas oil ($/ton)	ICE-EU	621.75	unch.	unch.	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 21

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.3499	0.1869	3.8063	0.2627
Brazil real	2.5279	0.3956	1.7985	0.5560
Canada dollar	1.4735	0.6787	1.0484	0.9539
1-mo. forward	1.4735	0.6786	1.0484	0.9539
3-mos. forward	1.4736	0.6786	1.0484	0.9538
6-mos. forward	1.4738	0.6785	1.0485	0.9537
Chile peso	703.27	0.001422	500.35	0.001999
Colombia peso	2764.61	0.0003617	1966.93	0.0005084
Ecuador US dollar-f	1.4056	0.7115	1	1
Mexico peso-a	17.9194	0.0558	12.7490	0.0784
Peru sol	4.0065	0.2496	2.8505	0.3508
Uruguay peso-e	27.479	0.0364	19.550	0.0512
U.S. dollar	1.4056	0.7115	1	1
Venezuela bolivar	6.04	0.165663	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5519	0.6444	1.1041	0.9057
China yuan	9.5955	0.1042	6.8269	0.1465
Hong Kong dollar	10.9204	0.0916	7.7695	0.1287
India rupee	64.7115	0.0155	46.0400	0.0217
Indonesia rupiah	13051	0.0000766	9285	0.0001077
Japan yen	128.16	0.007803	91.18	0.010967
1-mo. forward	128.14	0.007804	91.17	0.010969
3-mos. forward	128.10	0.007806	91.14	0.010972
6-mos. forward	128.02	0.007811	91.08	0.010979
Malaysia ringgit-c	4.7364	0.2111	3.3698	0.2968
New Zealand dollar	1.9640	0.5092	1.3973	0.7157
Pakistan rupee	118.910	0.0084	84.600	0.0118
Philippines peso	64.515	0.0155	45.900	0.0218
Singapore dollar	1.9723	0.5070	1.4032	0.7127
South Korea won	1598.81	0.0006255	1137.50	0.0008791
Taiwan dollar	44.851	0.02230	31.910	0.03134
Thailand baht	46.390	0.02156	33.005	0.03030

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7115	1.4056
1-mo. forward	1.0001	0.9999	0.7115	1.4054
3-mos. forward	1.0003	0.9997	0.7117	1.4052
6-mos. forward	1.0007	0.9993	0.7120	1.4045
Czech Rep. koruna-b	26.027	0.0384	18.517	0.0540
Denmark krone	7.4429	0.1344	5.2954	0.1888
Hungary forint	271.07	0.003689	192.86	0.005185
Norway krone	8.1553	0.1226	5.8022	0.1723
Poland zloty	4.0680	0.2458	2.8943	0.3455
Russia ruble-d	41.815	0.02391	29.750	0.03361
Sweden krona	10.1403	0.0986	7.2145	0.1386
Switzerland franc	1.4716	0.6795	1.0470	0.9551
1-mo. forward	1.4714	0.6796	1.0468	0.9553
3-mos. forward	1.4709	0.6799	1.0465	0.9556
6-mos. forward	1.4700	0.6803	1.0458	0.9562
Turkey lira	2.0851	0.4796	1.4835	0.6741
U.K. pound	0.8691	1.1507	0.6183	1.6173
1-mo. forward	0.8693	1.1504	0.6185	1.6169
3-mos. forward	0.8696	1.1499	0.6187	1.6162
6-mos. forward	0.8702	1.1492	0.6191	1.6152
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5299	1.8872	0.3770	2.6526
Egypt pound-a	7.6536	0.1307	5.4453	0.1836
Israel shekel	5.2323	0.1911	3.7226	0.2686
Jordan dinar	0.9953	1.0048	0.7081	1.4122
Kuwait dinar	0.4037	2.4770	0.2872	3.4815
Lebanon pound	2110.43	0.0004738	1501.50	0.0006660
Saudi Arabia riyal	5.2714	0.1897	3.7505	0.2666
South Africa rand	10.6189	0.0942	7.5550	0.1324
United Arab dirham	5.1629	0.1937	3.6732	0.2722
SDR -f	0.9039	1.1063	0.6431	1.5550

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
53	**ASIA-PACIFIC**	DJ Asia-Pacific	126.53	-0.56	-0.44%	2.8%	45.1%
...	Australia	SPX/ASX 200	4827.16	-41.03	-0.84	-0.9	38.4
...	China	CBN 600	28171.99	123.95	0.44%	-3.0	68.6
20	Hong Kong	Hang Seng	20862.67	-423.50	-1.99	-4.6	64.8
20	India	Sensex	17051.14	-423.35	-2.42	-2.4	93.5
...	Indonesia	Jakarta Composite	2638.382	-28.884	-1.08	4.1	98.8
...	Japan	Nikkei Stock Average	10868.41	130.89	1.22	3.1	35.0
...		Topix	956.03	11.31	1.20	5.3	20.1
...	Malaysia	Kuala Lumpur Composite	1308.36	1.74	0.13	2.8	48.8
...	New Zealand	NZSX-50	3225.289	-1.961	-0.06	-0.2	18.0
9	Pakistan	KSE 100	9753.84	-150.90	-1.52	3.9	94.3
14	Philippines	Manila Composite	3085.58	1.72	0.06	1.1	65.6
...	Singapore	Straits Times	2850.98	-42.15	-1.46	-1.6	66.8
11	South Korea	Kospi	1722.01	7.63	0.45	2.3	54.3
20	Taiwan	Weighted	8127.87	-93.06	-1.13	-0.7	91.3
10	Thailand	SET	718.99	-12.81	-1.75	-2.1	64.1
50	**EUROPE**	DJ Stoxx 600	252.71	-3.59	-1.40	-0.2	38.2
22		DJ Stoxx 50	2552.77	-37.91	-1.46	-1.0	34.5
62	**Euro Zone**	DJ Euro Stoxx	268.94	-4.22	-1.55%	-2.1%	34.6%
20		DJ Euro Stoxx 50	2863.57	-51.03	-1.75	-3.5	32.6
19	Denmark	OMX Copenhagen	327.91	-5.93	-1.78	3.9	41.9
21	Finland	OMX Helsinki	6600.96	2.14	0.03%	2.2	33.5
19	France	CAC-40	3862.16	-66.79	-1.70	-1.9	34.6
21	Germany	DAX	5746.97	-104.56	-1.79	-3.5	36.2
15	Italy	FTSE MIB	22876.46	-249.56	-1.08	-1.6	31.7
...	Netherlands	AEX	332.17	-4.13	-1.23	-0.9	41.1
...	Russia	RTSI	1530.29	-26.68	-1.71	7.2	196.8
11	Spain	IBEX 35	11444.0	-265.0	-2.26	-4.2	40.3
14	Switzerland	SMI	6578.95	-7.58	-0.12	0.5	23.4
...	Turkey	ISE National 100	55301.18	-168.02	-0.30	4.7	124.4
15	U.K.	FTSE 100	5335.10	-85.70	-1.58	-1.4	31.7
22	**AMERICAS**	DJ Americas	301.95	0.34	0.11	1.8	44.1
...	Brazil	Bovespa	66090.40	-2109.66	-3.09	-3.6	74.3
...	Argentina	Merval	2316.67	-34.87	-1.48	-0.2	124.2
20	Mexico	IPC	31224.08	-801.26	-2.50	-2.8	59.9

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.11%	22	**DJ Global Index**	230.35	0.02	0.02%	47.9%	0.0%	-6.2%
		Global DOW	1988.49	-5.28	-5.28	45.7	-0.3	-2.5
2.27		**Asia/Pacific 600**	119.23	-0.03	-0.03	34.1	-0.0	-6.7
1.70	16	**Emerging Markets**	280.41	-2.60	-2.60	92.7	-0.9	3.9
2.08	53	**Asia/Pacific**	126.53	-0.56	-0.56	45.1	-0.4	-4.7
2.37	18	**Asia/Pacific ex-Japan**	315.45	-3.85	-3.85	87.2	-1.2	0.8
2.51	24	**Southeast Asia**	161.60	-2.01	-2.01	91.4	-1.2	2.3
0.84	29	**CBN China 600** -c	28171.99	123.95	123.95	68.6	0.4	15.1
0.86	32	**Shanghai**	378.77	2.07	2.07	68.5	0.6	15.6
0.57	46	**Shenzhen**	412.87	0.79	0.79	93.9	0.2	21.5
2.30	18	**China Offshore 50**	3866.49	-93.27	-93.27	69.6	-2.4	5.8
7.55	10	**Australia LPT** -c, d	1142.82	-8.33	-8.33	10.1	-0.7	-21.5

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.04%	16	**Islamic Market**	2006.53	-0.03	-0.03%	45.6%	0.0%	-1.2%
2.32	16	**Islamic Market 100**	2155.84	2.51	2.51	33.1	0.1	-2.1
9.44	26	**Bahrain**	123.52	1.32	1.32	-11.5	1.1	-13.2
2.91	36	**Kuwait**	193.79	1.77	1.77	21.1	0.9	-16.0
2.54	21	**Sustainability**	1019.20	1.28	1.28	50.0	0.1	-7.3
2.72	50	**Stoxx 600 -p**	270.20	-7.39	-7.39	52.3	-2.7	-9.3
4.74	17	**Stoxx Select Div 30 -p**	1787.09	-46.01	-46.01	49.9	-2.5	-21.3
3.98	23	**Euro Stoxx Sel Div 30 -p**	2129.20	-71.98	-71.98	58.9	-3.3	-16.8
1.71	31	**DJ U.S. TSM**	11772.40	27.59	27.59	41.2	0.2	-6.5
4.13	15	**U.S. Select Dividend -d**	663.16	1.69	1.69	32.4	0.3	-9.5
4.67		**U.S. REIT**	146.04	-0.37	-0.37	44.2	-0.3	-19.2
		DJ-UBS Commodity -p	136.32	-2.16	-2.16	22.6	-1.6	-5.3

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.104	0.618	1.048	6.827	0.711	7.770	46.040	9285.05	91.180	1.397	1137.50	3.370	45.900	1.403	1.047	31.910	33.005
Australia	0.906		0.560	0.949	6.183	0.644	7.037	41.698	8409.47	82.582	1.266	1030.23	3.052	41.572	1.271	0.948	28.901	29.893
Britain	1.617	1.786		1.695	11.041	1.151	12.566	74.461	15016.71	147.465	2.260	1839.68	5.450	74.234	2.269	1.693	51.608	53.379
Canada	0.954	1.053	0.590		6.512	0.679	7.411	43.917	8856.82	86.975	1.333	1085.04	3.214	43.783	1.338	0.999	30.438	31.483
China	0.1465	0.162	0.091	0.154		0.104	1.138	6.744	1360.08	13.356	0.205	166.62	0.494	6.723	0.206	0.153	4.674	4.835
Euro	1.406	1.552	0.869	1.474	9.595		10.920	64.712	13050.60	128.158	1.964	1598.81	4.736	64.515	1.972	1.472	44.851	46.390
Hong Kong	0.129	0.142	0.080	0.135	0.879	0.092		5.926	1195.06	11.736	0.180	146.41	0.434	5.908	0.181	0.135	4.107	4.248
India	0.0217	0.0240	0.0134	0.0228	0.1483	0.0155	0.1688		201.67	1.9805	0.0304	24.71	0.0732	0.9970	0.0305	0.0227	0.6931	0.7169
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0098	0.0002	0.12	0.0004	0.0049	0.0002	0.0001	0.0034	0.0036
Japan	0.011	0.012	0.007	0.011	0.075	0.008	0.085	0.505	101.83		0.015	12.48	0.037	0.503	0.015	0.011	0.350	0.362
New Zealand	0.716	0.790	0.442	0.750	4.886	0.509	5.560	32.949	6644.85	65.253		814.05	2.412	32.848	1.004	0.749	22.836	23.620
South Korea	0.0009	0.0010	0.0005	0.0009	0.0060	0.0006	0.0068	0.0405	8.16	0.0802	0.0012		0.0030	0.0404	0.0012	0.0009	0.0281	0.0290
Malaysia	0.297	0.328	0.183	0.311	2.026	0.211	2.306	13.663	2755.41	27.058	0.415	337.56		13.621	0.416	0.311	9.470	9.794
Philippines	0.022	0.024	0.013	0.023	0.149	0.016	0.169	1.003	202.29	1.986	0.030	24.78	0.073		0.031	0.023	0.695	0.719
Singapore	0.713	0.787	0.441	0.747	4.865	0.507	5.537	32.811	6617.05	64.980	0.996	810.65	2.401	32.711		0.746	22.741	23.521
Switzerland	0.955	1.055	0.591	1.001	6.520	0.680	7.421	43.973	8868.24	87.087	1.335	1086.44	3.218	43.840	1.340		30.478	31.523
Taiwan	0.031	0.035	0.019	0.033	0.214	0.022	0.243	1.443	290.98	2.857	0.044	35.65	0.106	1.438	0.044	0.033		1.034
Thailand	0.030	0.033	0.019	0.032	0.207	0.022	0.235	1.395	281.32	2.763	0.042	34.46	0.102	1.391	0.043	0.032	0.967	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 21, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	LOCAL-CURRENCY PERFORMANCE YTD	LOCAL-CURRENCY PERFORMANCE 52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	303.32	-1.57%	**33.2%**	33.2%
2.40	28	**World (Developed Markets)**	1,184.49	-1.57	**28.7**	28.7
1.80	117	**World Small Cap**	195.86	-1.34	**45.9**	45.9
2.50	23	**Kokusai (World ex-Japan)**	1,169.38	-1.68	**31.0**	31.0
2.90	28	**EAFE**	1,593.99	-2.06	**28.8**	28.8
2.00	20	**Emerging Markets (EM)**	997.49	-1.57	**75.9**	75.9
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	420.42	-1.08	**70.0**	70.0
2.00	24	**AC Far East ex-Japan**	452.55	-1.04	**66.0**	66.0
1.70	-35	**Japan**	592.07	-0.52	**11.7**	11.7
1.90	21	**China**	63.89	-1.67	**56.6**	56.6
0.80	40	**China A (China Domestic)**	3,246.23	-3.32	**87.2**	87.2
2.60	24	**Hong Kong**	10,069.67	-1.20	**53.6**	53.6
0.90	21	**India**	712.64	-0.17	**93.0**	93.0
1.00	17	**Korea**	487.05	0.40	**58.7**	58.7
2.40	20	**Malaysia**	480.80	0.39	**49.7**	49.7
2.90	18	**Singapore**	1,610.22	-0.71	**61.5**	61.5
2.50	248	**Taiwan**	295.83	-0.36	**70.6**	70.6
2.90	19	**Thailand**	299.54	-0.63	**61.8**	61.8
3.70	26	**Australia**	1,003.01	0.09	**31.1**	31.1
5.20	16	**New Zealand**	86.24	0.02	**13.6**	13.6
1.80	33	**US BROAD MARKET**	1,264.42	-1.03	**28.7**	28.7
3.20	18	**EUROPE**	88.99	-1.55	**28.2**	28.2

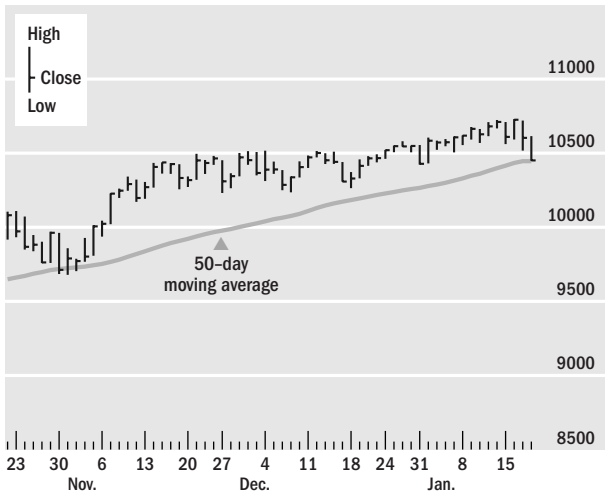
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10450.95** ▼ 152.20, or 1.44%
YEAR TO DATE: ▲ **22.90, or 0.2%**
OVER 52 WEEKS ▲ **2,328.15, or 28.7%**

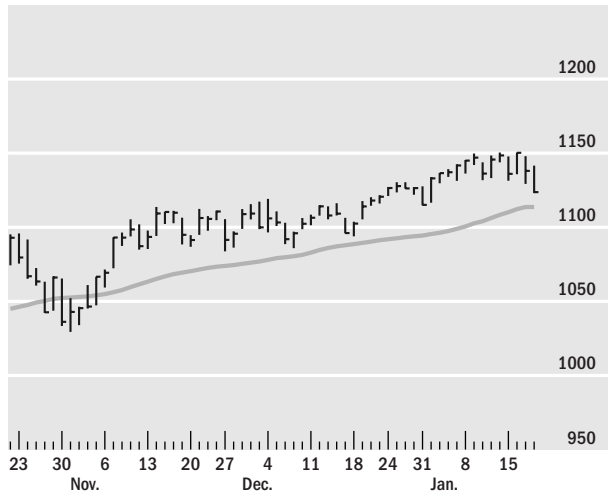


Nasdaq Composite Index P/E: 47*

LAST: **2273.15** ▼ 18.10, or 0.79%
YEAR TO DATE: ▲ **4.00, or 0.2%**
OVER 52 WEEKS ▲ **807.66, or 55.1%**

S&P 500 Index P/E: 71

LAST: **1123.70** ▼ 14.34, or 1.26%
YEAR TO DATE: ▲ **8.60, or 0.8%**
OVER 52 WEEKS ▲ **296.20, or 35.8%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**18.10**	$25.60	-0.23	**-0.89%**
Alcoa	AA	**34.60**	14.58	-0.65	**-4.27**
AmExpress	AXP	**5.70**	42.10	-0.88	**-2.05**
BankAm	BAC	**227.00**	15.70	-0.79	**-4.79**
Boeing	BA	**2.80**	59.21	-0.99	**-1.64**
Caterpillar	CAT	**6.20**	57.16	-2.60	**-4.35**
Chevron	CVX	**4.70**	76.94	-1.21	**-1.55**
CiscoSys	CSCO	**23.00**	24.16	-0.25	**-1.02**
CocaCola	KO	**5.00**	54.52	-0.98	**-1.77**
Disney	DIS	**6.40**	30.90	-0.29	**-0.93**
DuPont	DD	**3.70**	33.60	-0.92	**-2.67**
ExxonMobil	XOM	**17.00**	67.15	-0.88	**-1.29**
GenElec	GE	**45.20**	16.08	-0.42	**-2.56**
HewlettPk	HPQ	**8.40**	51.14	-1.07	**-2.05**
HomeDpt	HD	**7.90**	28.48	-0.18	**-0.63**
Intel	INTC	**35.30**	20.86	-0.22	**-1.07**
IBM	IBM	**3.90**	129.14	-1.11	**-0.85**
JPMorgChas	JPM	**56.40**	41.18	-2.22	**-5.12**
JohnsJohns	JNJ	**6.00**	64.24	-0.91	**-1.40**
KftFoods	KFT	**15.30**	28.26	-0.52	**-1.81**
McDonalds	MCD	**4.90**	62.91	-0.10	**-0.16**
Merck	MRK	**12.20**	40.58	-0.45	**-1.10**
Microsoft	MSFT	**27.50**	30.20	-0.39	**-1.26**
Pfizer	PFE	**35.10**	19.36	-0.58	**-2.91**
ProctGamb	PG	**6.00**	60.02	-0.43	**-0.71**
3M	MMM	**1.80**	82.95	-1.77	**-2.09**
TravelersCos	TRV	**1.70**	48.29	-0.64	**-1.31**
UnitedTech	UTX	**1.90**	70.02	-1.41	**-1.97**
Verizon	VZ	**8.90**	30.44	-0.27	**-0.88**
WalMart	WMT	**6.00**	53.16	-0.70	**-1.30**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**361.7**	$3.33	–$0.13	**–3.76%**
BankAm	BAC	**242.9**	15.57	–0.92	**–5.58**
SPDR S&P 500	SPY	**162.3**	111.92	–1.97	**–1.73**
SPDR FnclSelSct	XLF	**117.7**	14.63	–0.46	**–3.05**
PwrShrs QQQ	QQQQ	**110.1**	45.43	–0.49	**–1.07**
iShrMSCIEmrgMkt	EEM	**61.7**	40.64	–1.13	**–2.71**
JPMorgChas	JPM	**59.7**	40.86	–2.54	**–5.85**
DrxFinancBear 3x	FAZ	**55.8**	18.30	1.36	**8.01**
FordMotor	F	**55.4**	11.19	–0.32	**–2.78**
GenElec	GE	**47.0**	16.06	–0.45	**–2.70**
iShrRu2000	IWM	**46.5**	62.81	–1.10	**–1.72**
RegionsFin	RF	**45.9**	7.13	0.40	**5.94**
WellsFargo	WFC	**42.7**	27.42	–0.40	**–1.44**
eBay	EBAY	**42.4**	24.18	1.95	**8.77**
Intel	INTC	**37.5**	20.75	–0.33	**–1.56**

Biggest gainers...

HealthFit	FIT	**3,030.0**	$8.70	$1.50	**20.83%**
HanmiFinCp	HAFC	**4,232.4**	2.44	0.39	**19.02**
Nautilus	NLS	**174.5**	2.84	0.44	**18.33**
GreenBksh	GRNB	**100.5**	5.96	0.90	**17.79**
RylBcshPA A	RBPAA	**34.5**	2.75	0.41	**17.52**

...Biggest losers

APwrEnGenSys	APWR	**8,661.6**	$13.93	-$3.01	**-17.77%**
TongxinIntWt	TXICW	**12.3**	3.19	-0.66	**-17.04**
NaraBcp	NARA	**638.5**	8.31	-1.65	**-16.57**
TelestnTech	TSTC	**922.0**	18.01	-3.08	**-14.60**
ChnWindSyst	CWS	**348.6**	5.67	-0.84	**-12.90**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.36	**Taiwan Semi**	TSM	**5,034.8**	$10.65	-0.15	**-1.39%**
82.74	33.09	**BHP Billiton**	BHP	**3,783.2**	74.91	-3.24	**-4.15**
4.24	1.65	**Utd Microelectronics**	UMC	**2,614.3**	4.11	-0.02	**-0.48**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**1,890.6**	7.25	-0.18	**-2.42**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,814.5**	5.29	0.10	**1.93**
13.30	6.25	**AU Optrncs**	AUO	**1,785.1**	11.91	-0.24	**-1.98**
59.22	40.20	**China Mobile**	CHL	**1,500.8**	47.86	-1.19	**-2.43**
15.95	8.56	**China Unicom**	CHU	**1,276.0**	11.93	-0.15	**-1.24**
59.13	22.61	**Infosys Tech**	INFY	**851.7**	55.78	-1.32	**-2.31**
18.20	6.85	**Korea Elec Pwr**	KEP	**780.3**	17.64	-0.24	**-1.34**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**691.0**	20.80	-2.09	**-9.13**
18.64	12.59	**SK Telecom**	SKM	**640.2**	18.15	-0.18	**-0.98**
21.47	11.30	**KT Corp**	KT	**632.1**	20.99	-0.09	**-0.43**
34.95	15.64	**Sony**	SNE	**594.6**	34.23	0.98	**2.95**
34.27	9.91	**Aluminum Cp of China**	ACH	**479.1**	28.50	-1.83	**-6.03**
81.00	37.43	**China Life Ins**	LFC	**475.0**	68.39	-1.94	**-2.76**
9.50	3.96	**Nomura Hldgs**	NMR	**416.3**	7.77	0.05	**0.65**
150.50	47.09	**POSCO**	PKX	**406.8**	130.90	-4.65	**-3.43**
5.23	1.49	**Adv Semi Engrg**	ASX	**310.6**	4.42	-0.08	**-1.78**
135.92	63.94	**PetroChina**	PTR	**300.8**	116.61	-3.96	**-3.28**
7.74	2.00	**Alumina**	AWC	**287.6**	6.09	-0.40	**-6.16**
9.82	5.43	**Telecom Corp of NZ**	NZT	**263.9**	8.69	-0.25	**-2.80**
4.68	1.50	**SemiMfgInt**	SMI	**261.6**	4.30	-0.15	**-3.37**
37.23	20.72	**Honda Motor**	HMC	**248.8**	35.60	0.22	**0.62**
18.26	13.11	**NTT DoCoMo**	DCM	**242.7**	14.92	0.08	**0.54**
34.43	21.60	**Huaneng Power Intl**	HNP	**222.2**	22.20	-1.12	**-4.80**
91.97	56.79	**Toyota Motor**	TM	**206.2**	90.26	0.89	**1.00**
43.95	21.23	**Canon**	CAJ	**197.6**	41.01	0.51	**1.26**
94.00	46.45	**China Petro & Chem**	SNP	**173.5**	81.56	-2.03	**-2.43**
13.45	2.00	**City Telecom**	CTEL	**170.2**	11.73	-0.97	**-7.64**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

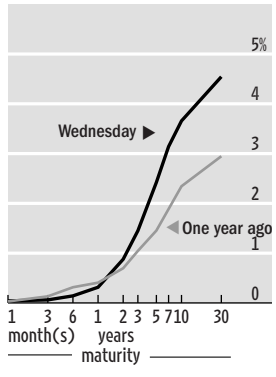
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.455%**	**357.7**	357.5	341.6	**183.2**	**4.445%**	4.286%	**2.618%**
4.500	10	**5.590**	**194.8**	194.6	178.5	**154.4**	**5.597**	5.466	**4.086**
5.000	**Austria** 2	**1.632**	**75.4**	79.1	5.8	**72.6**	**1.661**	0.928	**1.512**
3.900	10	**3.706**	**6.4**	5.3	-8.3	**142.9**	**3.704**	3.598	**3.971**
2.000	**Belgium** 2	**1.433**	**55.5**	57.3	17.3	**90.2**	**1.443**	1.043	**1.688**
3.750	10	**3.822**	**18.0**	16.7	-8.1	**176.4**	**3.818**	3.600	**4.306**
1.250	**Canada** 2	**1.217**	**33.9**	33.4	49.0	**30.4**	**1.204**	1.360	**1.090**
3.750	10	**3.408**	**-23.4**	-22.5	-16.7	**18.6**	**3.426**	3.514	**2.728**
4.000	**Denmark** 2	**1.859**	**98.1**	103.7	111.4	**168.3**	**1.907**	1.984	**2.469**
4.000	10	**3.576**	**-6.6**	-9.7	-18.0	**89.8**	**3.554**	3.501	**3.440**
1.500	**France** 2	**1.026**	**14.8**	17.5	24.6	**90.0**	**1.045**	1.116	**1.686**
3.750	10	**3.482**	**-16.0**	-17.8	-23.8	**102.9**	**3.473**	3.443	**3.571**
1.250	**Germany** 2	**1.135**	**25.7**	27.2	28.7	**65.0**	**1.142**	1.157	**1.436**
3.250	10	**3.239**	**-40.3**	-42.5	-50.2	**45.2**	**3.226**	3.179	**2.994**
0.550	**Hong Kong** 2	**0.703**	**-17.5**	-21.7	-37.7	**-19.1**	**0.653**	0.493	**0.595**
2.160	10	**3.069**	**-57.3**	-62.6	-123.0	**-113.0**	**3.025**	2.451	**1.412**
3.750	**Italy** 2	**1.452**	**57.4**	62.3	61.4	**180.7**	**1.493**	1.484	**2.593**
4.250	10	**4.084**	**44.2**	41.3	35.4	**201.9**	**4.064**	4.035	**4.561**
0.200	**Japan** 2	**0.163**	**-71.5**	-71.0	-70.0	**-40.9**	**0.160**	0.170	**0.377**
1.300	10	**1.346**	**-229.6**	-231.3	-245.9	**-131.6**	**1.338**	1.222	**1.226**
4.000	**Netherlands** 2	**0.682**	**-19.6**	-17.4	-2.0	**117.1**	**0.696**	0.850	**1.957**
4.000	10	**3.455**	**-18.7**	-21.9	-28.8	**127.7**	**3.432**	3.393	**3.819**
3.200	**Portugal** 2	**1.303**	**42.5**	36.8	41.6	**119.6**	**1.238**	1.286	**1.982**
4.750	10	**4.267**	**62.5**	65.2	31.8	**190.8**	**4.303**	3.999	**4.450**
5.350	**Spain** 2	**1.545**	**66.7**	59.7	62.8	**166.0**	**1.467**	1.498	**2.446**
4.000	10	**4.132**	**49.0**	37.3	24.8	**170.0**	**4.024**	3.929	**4.242**
2.750	**Switzerland** 2	**0.558**	**-32.0**	-28.9	-28.8	**-30.5**	**0.581**	0.582	**0.481**
2.250	10	**2.024**	**-161.8**	-164.8	-174.1	**-35.8**	**2.003**	1.940	**2.184**
3.250	**U.K.** 2	**1.270**	**39.2**	48.1	33.8	**65.8**	**1.351**	1.208	**1.444**
4.500	10	**3.964**	**32.2**	36.9	18.2	**90.4**	**4.020**	3.863	**3.446**
1.000	**U.S.** 2	**0.878**	**...**	...	...	**...**	**0.870**	0.870	**0.786**
3.375	10	**3.642**	**...**	...	...	**...**	**3.651**	3.681	**2.542**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.544%**	16.24	1.73%	1.73%	1.73%	–20.87%
10-year Treasury	**3.657**	8.22	1.68	1.68	1.68	–7.23
7 Year Treasury	**3.141**	6.17	1.71	1.71	1.71	...
Five-year Treasury	**2.423**	4.61	1.35	1.35	1.35	0.25
Ryan Index	**2.682**	6.68	1.33	1.33	1.33	–4.52
3 Year Treasury	**1.450**	2.91	0.88	0.88	0.88	1.95
Two-year Treasury	**0.878**	1.92	0.57	0.57	0.57	1.71
1 Year Treasury	**0.315**	0.98	0.17	0.17	0.17	1.13
Six-month Treasury	**0.142**	0.50	0.04	0.04	0.04	0.64
Ryan Cash Index-a	**0.140**	0.45	0.06	0.06	0.06	0.57
Three-month bill	**0.061**	0.25	0.01	0.01	0.01	0.37
One-month bill	**0.041**	0.08	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.00
Switzerland	**0.53**	0.53
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23063%**	0.38938%
Three month	**0.24888**	1.15938
Six month	**0.39031**	1.61750
One year	**0.87750**	1.92125

	Latest	52 wks ago
Euro Libor		
One month	**0.39250%**	1.89875%
Three month	**0.61625**	2.25313
Six month	**0.93188**	2.34000
One year	**1.20000**	2.42750
Hibor		
One month	**0.07857**	0.34000%
Three month	**0.14857**	0.94071
Six month	**0.28571**	1.24643
One year	**0.60286**	1.74571
Asian dollars		
One month	**0.2470%**	0.38%
Three month	**0.2608**	1.1500
Six month	**0.4063**	1.6100
One year	**0.8875**	1.9060

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3500**	0.2500
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.22%**	0.28%
U.K. (BBA)	**0.505**	1.433
Euro zone	**0.30**	1.19

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Thursday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 10868.41
▲ **1.22% or 130.89**

Foreign buying helped push up recently underperforming exporters, while a weaker yen and strong China fourth-quarter GDP growth also fueled the rally.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**183.60**	188	3	1.62
Mtshbsh Fin Grp	**138.62**	492	10	2.07
SumitomoMitsuiFinl	**70.05**	3,020	129	4.46
Hitachi	**69.83**	309	1	0.32
Nomura Hldgs	**59.37**	724	13	1.83

Sensex
India 17051.14
▼ **2.42% or 423.35**

The index slumped to the lowest level in a month, weighed down by lackluster global markets as well as a selloff in heavyweight Larsen & Toubro.

Stock	Volume in millions	Close	Change Net	Change %
Tata Steel-A	**2.46**	648.30	−5.35	−0.82
Jaiprak Asso-A	**1.84**	150.95	−4.25	−2.74
Hindalco-A	**1.56**	162.85	−2.90	−1.75
Larsen Tou-A	**1.56**	1,524.35	−112.10	−6.85
Dlf-A	**1.49**	364.10	−9.40	−2.52

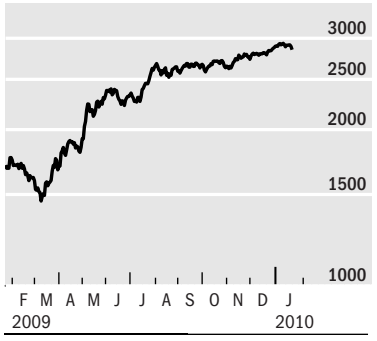
Hang Seng
Hong Kong 20862.67
▼ **1.99% or 423.50**

Banks fell as investors' concerns about Beijing tightening credit intensified after China reported strong economic data for the fourth quarter.

Stock	Volume in millions	Close	Change Net	Change %
Bank Of China	**552.64**	3.87	−0.08	−2.03
CCB	**511.70**	6.12	−0.10	−1.61
Icbc	**487.24**	5.72	−0.17	−2.89
PetroChina	**118.23**	9.18	−0.22	−2.34
ChinaPetroChem	**100.62**	6.42	−0.11	−1.68

Straits-Times
Singapore 2850.98
▼ **1.46% or 42.15**

China-based companies listed on the exchange and local companies with exposure to the Chinese market took the brunt of the selling on worries about tightening credit.



Stock	Volume in millions	Close	Change Net	Change %
Golden Agri	**122.81**	0.56	−0.02	−3.48
Genting Spore	**103.53**	1.23	−0.03	−2.38
CapitaLand	**36.82**	4.19	−0.19	−4.34
Noble Grp	**17.86**	3.18	−0.11	−3.34
Sing Telecom	**17.58**	3.00	unch	...

Asian stocks in the news

Advantest
Japan ¥2,597
▲ **3.6% or ¥91**

TDK's upgrade contributed to a generally upbeat mood for tech shares.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-45.10**
Dividend yield	**0.4**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-0.2%**	-1.9%	80.8%
Advantest	**3.6%**	4.3%	113.2%

Yahoo Japan
Japan ¥31,350
▲ **3.6% or ¥1,100**

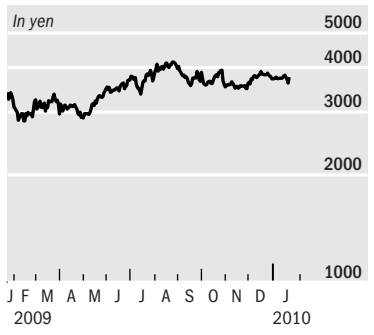
Macquarie said a recovery in online-advertising spending is likely to help the company.

Price-to-earnings ratio	**22**
Earnings per share, past four quarters	**1393.80**
Dividend yield	**0.4**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-0.2%**	-1.9%	80.8%
Yahoo Japan	**3.6%**	8.1%	1.5%

Shimano
Japan ¥3,760
▲ **3.9% or ¥140**

Macquarie recommended the stock as likely to benefit from a global focus on "green" technology.



Price-to-earnings ratio	**32**
Earnings per share, past four quarters	**118.00**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**0.3%**	-1.4%	31.3%
Shimano	**3.9%**	-0.8%	10.3%

Elpida Memory Inc.
Japan ¥1,769
▲ **4.6% or ¥77**

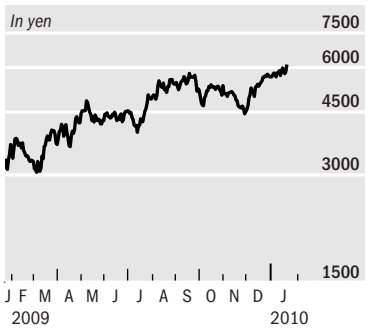
Chip-related shares jumped after a news report that DRAM prices have surged.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-30.50**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-0.2%**	-1.9%	80.8%
Elpida Memory Inc.	**4.6%**	-2.4%	231.3%

TDK
Japan ¥6,120
▲ **4.8% or ¥280**

Citigroup raised its rating on the stock to "buy/high risk," citing strong demand for PCs.

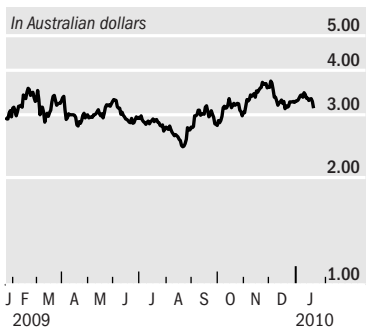


Price-to-earnings ratio	**153**
Earnings per share, past four quarters	**40.10**
Dividend yield	**1.0**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-0.4%**	-2.2%	57.5%
TDK	**4.8%**	4.8%	83.8%

Lihir Gold
Australia A$3.13
▼ **4.3% or A$0.14**

Shares fell after the price of gold slid overnight.

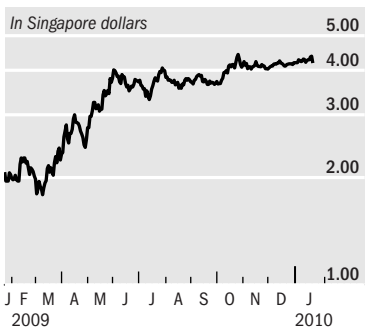


Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.10**
Dividend yield	**0.5**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**-1.7%**	-4.5%	85.2%
Lihir Gold	**-4.3%**	-6.3%	6.1%

CapitaLand
Singapore S$4.19
▼ **4.3% or S$0.19**

Investors worried that China's credit tightening may hurt the developer's recent property purchases.

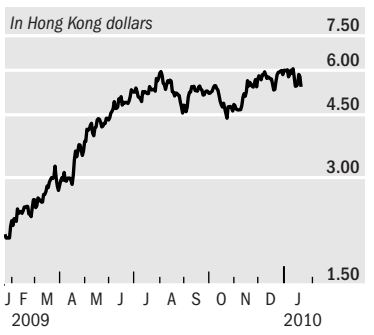


Price-to-earnings ratio	**65**
Earnings per share, past four quarters	**0.06**
Dividend yield	**1.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-1.3%**	-2.3%	47.6%
CapitaLand	**-4.3%**	-1.6%	102.3%

China Dongxiang
Hong Kong HK$5.39
▼ **6.4% or HK$0.37**

A brokerage downgraded the stock to underperform, saying the risk reward looks unfavorable.

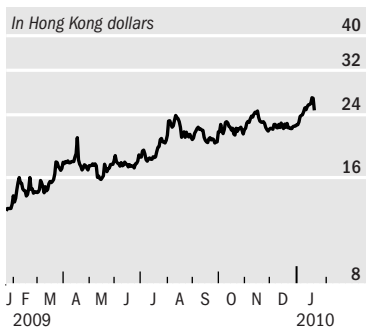


Price-to-earnings ratio	**19**
Earnings per share, past four quarters	**0.29**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**-0.7%**	-1.9%	32.4%
China Dongxiang	**-6.4%**	-0.4%	159.1%

Yue Yuen Indl (Hldgs)
Hong Kong HK$24.70
▼ **7.5% or HK$2.00**

Investors locked in profits after the stock's nearly 19% gain for the past month.



Price-to-earnings ratio	**18**
Earnings per share, past four quarters	**1.36**
Dividend yield	**3.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**0.3%**	-1.4%	31.3%
Yue Yuen Indl (Hldgs)	**-7.5%**	-3.5%	91.5%

Foxconn Intl
Hong Kong HK$9.42
▼ **8.5% or HK$0.88**

Worries about possible tightening in China and overnight losses on Wall Street weighed on shares.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.04**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-0.2%**	-1.9%	80.8%
Foxconn Intl	**-8.5%**	-9.1%	251.5%

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

China hits its mark—for now

Phew, what a relief! China beat its totemic 8% growth target in 2009. In fact, at 8.7% for the year, economic growth also defied skeptics who had forecast that it would be nearer to 5% last year, and leaves China within a whisker of replacing Japan as the world's second-largest economy.

But at what cost? There is little doubt China's economy has been sustained largely on the back of a 30% rise in bank lending, allied to a sizable fiscal stimulus.

Near term, the flood of money is creating concerns about inflation and asset bubbles, particularly in the property market. After a year of mostly deflation, CPI inflation spiked to 1.9% year-on-year in December. New-residential-property prices are rising by double-digit levels, especially in major cities. Longer term, it is important to consider the contingent liabilities that cloud China's solid-looking balance sheet.

Certainly, with official government debt at less than 20% of GDP and nonperforming loan ratios of less than 2% at the country's leading banks, neither the fiscal position nor the financial sector look stretched. But 2009's lending has surely stored up some problems for China's banks. If, say, 20% of 2009's new loans go bad, and 10% of likely new loans in 2010 also run into trouble, total nonperforming loans would reach $381 billion, or 8% of China's 2009 GDP, UBS economist Tao Wang calculates. Nor has China ever truly resolved the bad debts it shifted off bank-balance sheets a decade ago.

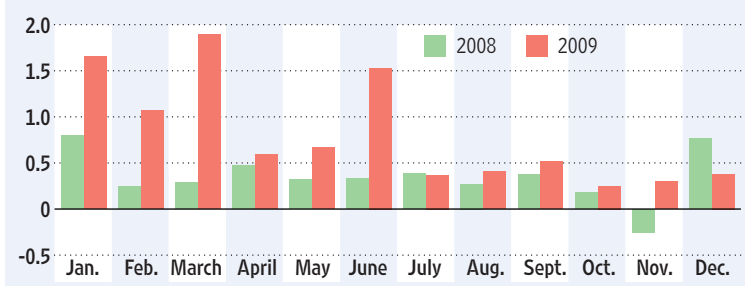
Certainly, it is unfair to suggest that China's stimulus has all been misallocated. China hasn't let a good crisis go to waste, upgrading, for example, its outdated rail network. Such projects should help the economy in the future. But if China wants to create more sustainable growth, the next stage of its development needs to include more reforms—such as liberalization of the financial sector—that will help get capital allocated more quickly and efficiently to where it is really needed.

China may be able to grow out of some of its problems. But it will do so only as its economy liberalizes. Otherwise, the returns generated with tricks like pumping loans and government money into the economy will prove ever-diminishing.

—Andrew Peaple

Borrowing binge

China's net new loans, in trillions of yuan



Sources: People's Bank of China, Reuters (photo)

Buyers leery as Rio, BHP put pedal to the metal

Rio Tinto's and **BHP Billiton**'s record 2009 iron-ore production is evidence they are doing their best to meet demand from Asia. Rio's output rose 13% to 217 million metric tons in the year. Production at BHP rose 6% to 63 million tons in its fiscal half-year ended in December.

That should help damp accusations that the world's two largest mining groups are manipulating prices. But with iron-ore prices sky-high, price negotiations between mining groups and major customers are as contentious as ever. They risk hampering efforts by Rio and BHP to win regulatory approval for their Pilbara production joint venture in Western Australia.

In reality, it is demand, not supply, that is driving the iron-ore market. Spot prices may be about 75% above 2009 contract prices, but they mirror buoyant prices for coking coal, copper and other commodities. And they could fall back midyear. Chinese monetary-policy tightening may rein in demand; economic growth in the industrialized world remains slack. Rio and BHP are increasing production at Pilbara.

Steelmakers fear that if the Pilbara joint venture is approved, Rio and BHP will slow capital spending to ensure supply lags demand and buoy prices. Those fears look overstated. The miners insist Pilbara management will have performance incentives to do the opposite, though giving other miners access to the Pilbara transport network might help. China's announcement last week of the discovery of five billion tons of iron-ore reserves suggests the world has plenty of the stuff.

True, high-grade, easy-to-extract reserves are rarer. China's reserves tend to have less than half the iron content of Pilbara's and are often far from its eastern industrial complexes. But it is in Rio's and BHP's interest to exploit their low costs and established infrastructure by exporting all they can rather than risk higher prices luring investment to new projects. BHP, Rio and Vale can increase output at 10% a year without crashing prices or sacrificing their 50% Ebitda margin, according to Barclays Capital.

The real issue for steelmakers isn't that miners are manipulating prices but that demand is so strong they can avoid fixed contracts altogether. Analysts expect the iron-ore producers to more than recoup last year's price cuts in the forthcoming negotiations with steel mills, forecasting increases of 30% or more. But that is still a big discount to spot prices. Yet BHP sold nearly half its second-quarter Pilbara shipments on higher spot prices.

Analysts expect iron-ore producers to more than recoup last year's price cuts in forthcoming negotiations

The ritual of annual contract negotiation may be a thing of the past.

—Matthew Curtin

New U.S. cash conundrum: too much

Last year's financial depredations reduced the strategy for deploying corporate cash to one word: "don't." Companies reduced spending, cut payouts to shareholders and curbed deals to conserve cash.

Mostly, they did well. Compared with 2008, the median ratio of free cash flow, after capital expenditure and dividends, to debt for nonfinancial companies increased substantially at nearly all ratings levels by the third quarter of 2009, according to Moody's Investors Service.

This was what investors wanted. But that is changing—leaving treasurers in a quandary. Prodded by low interest rates, investors' taste for risk has revived. The Standard & Poor's 500-stock index's forward price/earnings multiple is 15.2 times, up from 11.5 times last April. Citigroup's Financial Strategy Group splits price/earnings multiples into a theoretical "base" component reflecting the cost of equity for existing profits and a "growth" element. This methodology suggests the growth element has risen from accounting for 8% of the global stocks' median price/earnings ratio in December 2008 to 45% now. Today, Citigroup reckons, large, nonfinancial companies hold an incremental $290 billion of cash above 2007 levels. More than half of that is in the hands of U.S. firms. Such hoarding is untenable, not least because hedge funds, private-equity firms and tax men are drawn to idle cash piles like bees to pollen.

Treasurers have three options. One is to increase capital expenditure. Economic-growth prospects, however, look sclerotic, and U.S. industrial-capacity utilization languished at 71.3% in November, according to the Federal Reserve.

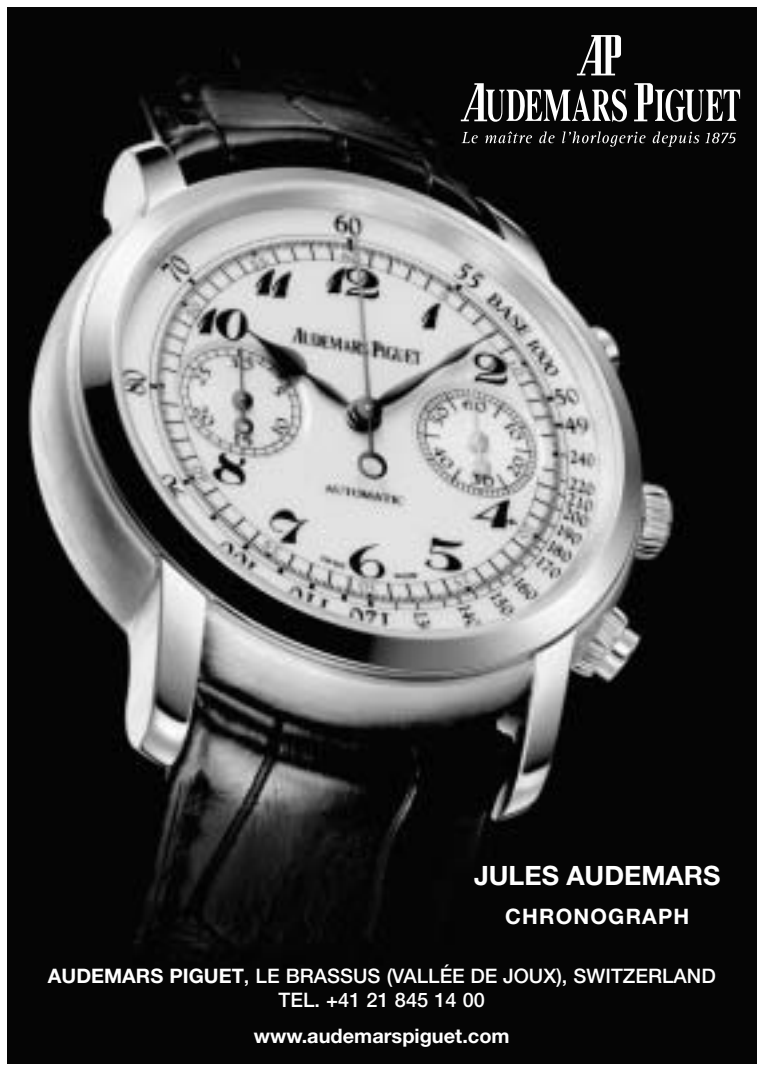
Companies can buy each other instead. Global M&A surged by 90% quarter on quarter to $626.8 billion in the last three months of 2009, according to Mergermarket. Although a return to the frenzied days of 2007 looks unrealistic, some revival of M&A looks certain, as firms seek to expand profits by combining operations and cutting costs rather than relying on sales growth. Market crises, by depressing valuations and shaking assets loose, offer the best pickings.

The real comeback this year, however, is likely to be in shareholder payouts. Given the uncertain economic backdrop, dividend increases could be restrained, for fear of stoking expectations too high. Instead, watch for more stock buybacks. S&P 500 buybacks dropped from $597.8 billion in 2007 to just $89.7 billion last year, according to Birinyi Associates, a research firm. But authorizations for new buybacks jumped in the fourth quarter. Last week, retailer **Target** said it would resume a $10 billion program suspended in 2008. Target's shares rose on that news, although probably more because of the positive signal it imparted on company cash flow.

Besides such symbolism, buybacks are tempting for management for another reason. Citigroup calculates the 100 largest U.S. firms by market capitalization relied on share buybacks for fully one-third of their growth in earnings per share from 2003 to 2008.

Be warned: Executives can make lousy buyers of their own companies' stock. A recent survey of 26 industrial companies by Morgan Stanley found more than half had made a zero or negative return on stock repurchases since 2000. But buybacks will be a preferred strategy for trying to square low growth and a cloudy outlook with the earnings expectations implied by high stock-price multiples.

—Liam Denning



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